



## ***Corporate Governance Compliance Rating Report***



***Turcas Petrol A.Ş.***

03 March 2017

Validity Period : 03.03.2017-03.03.2018

## 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](http://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

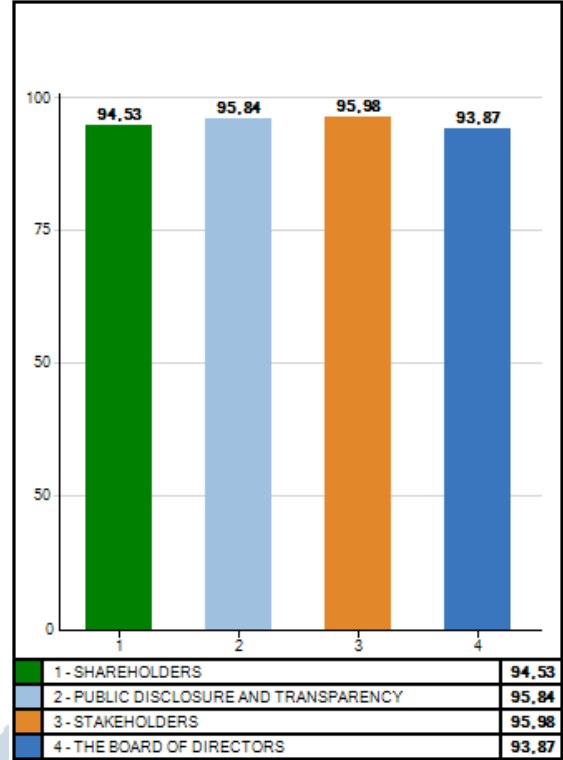
**9.48**

Kobirate Uluslararası Kredi Derecelendirme  
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### 1. EIGHT 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 grounded on CMB's Corporate Governance Principles Communiqué no II-17.1 No: 28871, published on 03.01.2014.

According to CMB's decision No: 1/23, dated 06.01.2017, Turcas Petrol A.Ş. is on the list of

BIST 3<sup>rd</sup> Group Companies. 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 **9.48**.

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 high level. Rights of shareholders and stakeholders are treated

fairly. The structure and working conditions of board of directors is compliant with corporate governance principles to significant extent.

▪ At the section of Shareholders, it is seen that Turcas has achieved the grade of **94.53**. The developments that brought this grade for the Company are listed below;

- Director of Investor Relations Department (IRD) Erkan İLHANTEKİN (CFO) and Deputy Manager of IRD Pınar SAATÇIOĞLU (Ceritoğlu) have been assigned to the Corporate Governance Committee.

- There is more than one licensed staff in IRD.

- IRD presents reports to Board of Directors about its activities; one with limited contents every week and four times a year with comprehensive content.

- Company's performances in General Assembly processes and Electronic General Assembly Application have been elected as best practices by the Central Registration Agency (MKK).

- Notification declaration is taken from all employees – within the frame of relevant laws and regulations - who have access to insider information.

- Company is determined to continue and develop its practices in the section of Shareholders.

Relations with shareholders are conducted through Investor Relations Department. Department's activities are conducted by Deputy Manager Pınar Saatcioğlu (Ceritoğlu) under the coordination and supervision of Erkan İlhantekin, Finance Director (CFO) and Director of Investor Relations Department. Both officials have Capital Market Operations Level 3 and Corporate Governance Rating Licenses.

Erkan İlhantekin, Director of Investor Relations Department, has been a member of Corporate Governance Committee since 04.06.2012 in compliance with Capital Markets Board's Communiqué II-17.1. Deputy Manager and Department Employee Pınar SAATÇIOĞLU (Ceritoğlu) has also been appointed as Member of Corporate

Governance Committee with Board decision dated 02.03.2016, No 2016/06. This appointment is believed to be important in terms of both increasing experience of this person and its contribution to direct communication between the Committee and Department.

Activities of Investor Relations Department are regularly reported to the Board of Directors. Department presents its detailed analyses to the Board of Directors about stock performance and liquidity every week and detailed reports about its activities and Company's corporate governance policies once in every three months. In the months of March, June, September and December 2016, it presented 4 (four) reports to the Board of Directors.

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 corporate 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.

Ordinary General Assembly meeting to discuss activities of 2015 took place on 03.05.2016. The announcement of the meeting was made through Turkish Trade Registry Gazette (TTSG) No: 9050 and dated 08.04.2016, Public Disclosure Platform Statement on 01.04.2016, Central Registration Agency's e – general assembly system (EGKS) and corporate website in accordance with regulations.

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

Turcas' compliance with regulations and principles in general assembly practices are at

a very good level. Within this frame, it has been learned that MKK found Company's Electronic General Assembly practice an exemplary application and used it in presentations abroad.

Information on dividend distribution is disclosed in the **"ii. Dividend Distribution"** section of our report.

▪ In the section of Public Disclosure and Transparency, the Company has achieved the grade of **95.84**. Most important developments that brought this grade to the Company are listed below;

- The annual report has included description of private and public audits conducted within the fiscal period.

- The annual report has included information on Company's capacity to pay debts and whether or not there is any loss of capital.

- Annual report has included information on reports presented to the Board of Directors by committees.

- Annual report has included information on whether or not general assembly decisions made in previous periods have been implemented.

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

Although it is not obligatory for the Company as it is on the list of 3<sup>rd</sup> Group Companies, Turcas continues to make special case 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 is thought that corporate website and annual report are in compliance with the criteria specified by Principles and they are used effectively as means of public disclosure.

Independent audit of the Company for 2015 has been done by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Pricewaterhousecoopers). 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 2016 would be conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited).

▪ At the section of Stakeholders, the Company has achieved the grade of **95.98**. Most important developments that brought this grade to the Company are listed below;

- "Office Environmental Risk Assessment Working Group" has been established.

- "Sustainability Working Group" has been established.

- "Employee Loyalty and Satisfaction Survey" has been conducted.

- "Internal Customer Satisfaction and Organizational Compliance Survey" has been conducted.

- Participation to the "Project for Development and Implementation of Office Policies to Fight Inner Family Violence against Women Project", which was launched by TÜSİAD – Sabancı University – United Nations Population Fund (UNFPA).

As a result of activities to ensure employees' participation to management, "Strategy Sharing Meeting" was held for the first time in 2015 with the attendance of all employees. Company's vision, mission and strategic targets were shared with employees at this meeting and their opinions were heard.

“Strategic Targets Progress Meeting” has also been started since 2015. Progress in strategic targets was discussed at this meeting by directors, coordinator, managers and team leaders. These meetings were also held in 2016 and became routine.

Established under the leadership of Quality, Process Management and Environment Department in 2016, “Office Environmental Risk Assessment Working Group” held its first meeting on 14.12.2016. The group comprises 4 employees. Its aim is to determine subjects that might bring environmental risk in the office for employees and society and prepare action plans to minimize these risks. On the other hand, a “Quality, Process Management and Environment Expert” was assigned in the Company as of November 2015. The expert’s responsibilities include preparing Quality Handbook, Quality Procedures, Processes, Work Flows and Guidelines and developing Quality Management System, preparing and implementing environmental policies.

A separate Environmental Risk Working Group was also established in 2016 for Turcas Kuyucak Geothermal Electricity Production A.Ş, which is planned to be operational in September 2017. Within this scope, wasteland has been determined and waste has been classified into three categories as dangerous, non – dangerous and recyclable. It is planned to get ISO 14001 and ISO 9001 documents in coming periods.

“Ethical Principles and Compliance with Regulations Policy”, obligatory for all employees, was revised in 2016 and published on the corporate website. It is learned that this policy will be presented to the shareholders at 2017 general assembly meeting, which would be convened to discuss activities of 2016.

Company has established a “Sustainability Working Group”. The Group was established in November 2016 in order to determine and plan sustainability activities within the Company, to take necessary actions and prepare for sustainability reporting. It

comprises 9 members and held its first meeting on 08.11.2016.

In August 2016, Turcas Petrol A.Ş. became a signatory to United Nations Women Empowerment Principles (WEPs), which is the most important global initiative to achieve gender equality, led by private sector. Turcas is the 4<sup>th</sup> energy company from Turkey that signed the WEPs.

The Company has a rather detailed and modern HR policy. The processes of HR policies contain written procedures, based on objective criteria and they give priority to productivity, aiming to educate and develop careers of recruited employees, 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 develop its policies in this section.

▪ In the section of Board of Directors, Turcas has received the grade of **93.87**.

Most important developments that brought this grade to the Company are listed below;

- Rotation of membership policy has been launched in existing committees in order to improve policies within the scope of “best practices”.

- The Company is decided to continue and improve its policies under the section of Board of Directors.

As a result of interviews and examination of minutes of the Board of Directors and the Committees meetings, it has been determined that the Board and Committees continue their activities regularly.

The Board of Directors has determined Company’s strategic targets. Chairman of the Board of Directors and General Manager are different persons. In line with the principle of clear differentiation of powers between

Chairman of the Board of Directors and CEO / General Manager, 14<sup>th</sup> and 16<sup>th</sup> items of Articles of Association neatly describe duties of the Board of Directors and Chairman of the Board. Duties of the Chairman of the 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.

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. 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 the Corporate Governance and the Early Detection of Risk are also Independent Members of the Board of Directors. CEO / General Manager has no assignment in committees. The Board of Directors convened 4 (four) times and took 23 (twenty three) decisions in 2016.

The Audit Committee held 4 (four) meetings in 2016 and reported meeting results to the Board of Directors.

Corporate Governance Committee held 5 (five) meetings in 2016 and reported meeting results to the Board of Directors. It is also learned that Committee briefs Board of Directors at every Board meeting.

The Early Detection of Risk Committee held 6 (six) meetings in 2016 and reported meeting results to the Board of Directors.

Guidelines on compensation of the Directors and Top Executives have been determined and disclosed to public through corporate website.

In accordance with relevant Communiqué of CMB, possible damages to the company due to defects of Board of Directors Members and Executive Directors while performing their duties are insured. A Material Event Disclosure on the subject was published Public Disclosure Platform on 10.08.2016.

In order to increase efficiency of committees, action plans have been prepared in subjects like rotation of committee members and working of Nomination and Remuneration Committees. Within this scope, Mehmet SAMİ, who was appointed as Independent Member of Board at the Ordinary General Assembly Meeting of 2015, was assigned to the Audit Committee and the Corporate Governance Committee and rotation was started between committees with Board Decision dated 13.06.2016, No 2016/19.

Self criticism and performance measurement for the Board of Directors were conducted in 2014 for the first time and the data were evaluated. It is learned that activities in this area continued regularly in 2015 and 2016.

There were 3 (three) women in the Board of Directors in 2015. However number of women members dropped to 2 (two) with an appointment made on 03.05.2016. However it still meets CGP recommendation that 25 % of the Board should be women.



## 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) 2590018-19  
**Company's Web Address** : [www.turcas.com.tr](http://www.turcas.com.tr)  
**Company's E-Mail Address** : turcas\_investorrelations@turcas.com.tr

**Date of Incorporation** : 07/03/1980  
**Registered Number** : 171118  
**Paid in Capital** : 270.000.000.-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:**

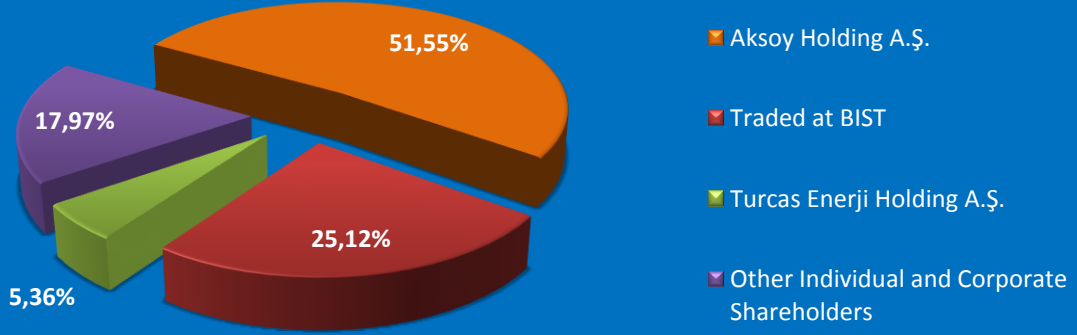
Erkan İLHANTEKİN

Finance Director (CFO) / Director of Investor Relations Department

[erkan.ilhantekin@turcas.com.tr](mailto:erkan.ilhantekin@turcas.com.tr)

0212 259 0000/1270

## Tircas Petrol A.Ş. Shareholder Structure



Shareholder Name	Share (TL)	Share (%)
Aksoy Holding A.Ş.	139.175.892-	51,55
Traded at BIST	67.826.501-	25,12
Turcas Enerji Holding A.Ş.	14.471.336-	5,36
Other Individual and Corporate Shareholders	48.526.271-	17,97
<b>Total</b>	<b>270.000.000,00</b>	<b>100</b>

Source www.turcas.com.tr

### Indirect Individual and Corporate Shareholders

Shareholder Name	Share (TL)	Share (%)
Erdal AKSOY	75.231.731,16	27,86
Saffet Batu AKSOY	31.164.530,75	11,54
Banu Aksoy TARAKÇIOĞLU	31.164.527,07	11,54
Turcas Petrol A.Ş.	14.471.050,14	5,36
Aksoy Enternasyonal Ticaret A.Ş.	1.300.451,35	0,48
Belkis AKSOY	1.093.621,77	0,41
Aksoy Holding A.Ş.	520.180,54	0,19

Source: www.kap.gov.tr

### Aksoy Holding A.Ş. SHAREHOLDER STRUCTURE

Shareholder Name	Share (TL)	Share (%)
Erdal AKSOY	176.686.056	53,5
Saffet Batu AKSOY	73.894.229	22,4
Banu Aksoy TARAKÇIOĞLU	73.894.220	22,4
Aksoy Enternasyonal Ticaret A.Ş.	3.083.500	0,9
Ayşe Belkis AKSOY	2.441.995	0,7
<b>TOTAL</b>	<b>330.000.000</b>	<b>100,00</b>

Source www.turcas.com.tr

### Company Board of Directors

Name / Surname	Title	Executive / Non - Executive
Erdal Aksoy	Chairman of the Board	Executive
Yılmaz Tecmen	Deputy Chairman of the Board	Non - Executive
S. Batu Aksoy	Board Member and CEO	Executive
Banu Aksoy Tarakçıođlu	Board Member	Executive
Matthew J. BRYZA	Board Member	Non - Executive
Ayşe Botan BERKER	Independent Board Member	Independent/ Non - Executive
Mehmet SAMİ	Independent Board Member	Independent/ Non - Executive

Source: www.kap.gov.tr

### Top Management

Name / Surname	Title
Erdal AKSOY	Chairman of the Board
S .Batu AKSOY	Board Member and CEO
Banu Aksoy TARAKÇIOĐLU	Board Member
Arkin AKBAY	Operational Director
Erkan İLHANTEKİN	Finance Director(CFO)/IRD Director
Altan KOLBAY	Corporate Communication and Public Relations Manager
Tomurcuk EROĐLU	Legal Counselor

Source: www.turcas.com.tr

### Committees Formed Within Board of Directors

#### Audit Committee

Name / Surname	Title
Ayşe Botan Berker	Independent Board Member / Committee Chairwoman
Mehmet SAMİ	Independent Board Member / Member

Source: www.kap.gov.tr

#### Corporate Governance Committee

Name / Surname	Title
Mehmet SAMİ	Independent Board Member / Committee Chairman
Yılmaz TECMEN	Deputy Chairman of Board /Non - executive
Matthew J. BRYZA	Board Member / Non - executive
Ayşe Botan BERKER	Independent Board Member
Erkan İLHANTEKİN	Finance Director(CFO) / IRD Director
Tomurcuk EROĐLU	Legal Counselor
Altan KOLBAY	Corporate Communication and Public Relations Manager
Pınar SAATÇIOĐLU	IRD Deputy Manager

Source: www.turcas.com.tr

### Early Risk Detection Committee

Name / Surname	Title
Ayşe Botan BERKER	Independent Board Member / Committee Chairwoman
Banu Aksoy TARAKÇIOĞLU	Independent Board Member
Erkan İLHANTEKİN	Finance Director(CFO) / IRD Director
Tomurcuk EROĞLU	Legal Counselor

Source: www.turcas.com.tr

### Investor Relations Department

Name / Surname	Title	Contact
Erkan İLHANTEKİN	CFO / IRD Director	0(212) 259 0000 erkan.ilhantekin@turcas.com.tr
Pınar SAATCIOĞLU (Ceritoğlu)	IRD. Deputy Manager/ Investor Relations Dep. Official	0(212) 259 0000 (Internal: 1287) pinar.ceritoglu@turcas.com.tr

Source: www.kap.gov.tr

### Comparison of Company's Certain Selected Items for UFRS Consolidated Balance-Sheet belonging to 9<sup>th</sup> Months of last two years (TL)

	2015/09	2016/09	Change %
Current Assets	309.716.679	199.248.136	-35,67
Fixed Assets	835.774.938	924.708.093	10,64
Total Assets	1.145.491.617	1.123.956.229	-1,88
Short Term Liabilities	91.743.234	63.125.300	-31,19
Long Term Liabilities	415.404.280	415.734.168	0,8
Equity	638.344.103	645.096.761	1,05

Source: www.kap.gov.tr

### Comparison of Company's Certain Selected Items for UFRS Consolidated Income Statements belonging to 9<sup>th</sup> Months of last two years (TL)

	2015/09	2016/09	Change %
Sales Income (*)	755.886	-	-
Sales Cost (-)	(621.436)	-	-
Operational Profit or Loss	27.633.292	8.137.380	-70,55
Profit / Loss before Tax (**)	(30.317.238)	28.200.979	n.m
Net Periodical Profit / Loss (**)	(29.377.351)	23.297.487	n.m

Source: www.kap.gov.tr

(\*) According to the Material Event Disclosure by Turcas Petrol A.Ş. on May 7, 2015; the Company has been informed that Turcas Elektrik Toptan Satış A.Ş. has decided to gradually reduce the retail electricity sales operations with an aim to utilize resources in more efficient investments in accordance with the Board Decision dated 6 May 2015. Contractual obligations of Turcas Elektrik Toptan Satış A.Ş. ("TETSAŞ") towards its existing retail customer portfolio would be fulfilled and there would not be any addition to existing retail customer portfolio starting from the above mentioned date. Wholesale electricity operations would continue with the existing Supplier License of TETSAŞ. In parallel to future positive developments in the electricity market, TETSAŞ might focus again on retail electricity sales operations.

As sales activities have been stopped within the frame of abovementioned Material Event Disclosure, there is no sales income as of 30.09.2016.

(\*\*) n.m: not meaningful

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

STAR MARKET

BIST CORPORATE GOVERNANCE / BIST INDUSTRIAL / BIST STAR / BIST SME INDUSTRY / BIST CHEMICAL, OIL, PLASTİK / BIST İstanbul / BIST ALL / BIST ALL-100

**The Bottom and Peak Closing Values of Company's Shares traded on the BIST for last year  
(15.02.2016-15.02.2017)**

<b>Bottom (TL)</b>	<b>Peak(TL)</b>
<b>1,25 (21.07.2016)</b>	<b>1,63 (26.04.2016)</b>

Source: Turcas Petrol A.Ş

**Information about Subsidiaries, 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
<b>TURCAS ELEKTRİK ÜRETİM A.Ş.</b>	ELECTR. PROD.	198.000.000	2.639.981	TRY	1,33	SUBSIDIARY (DIRECT AND INDIRECT)
<b>TURCAS ELEKTRİK TOPTAN SATIŞ A.Ş.</b>	ELEKTR. TRADE	4.300.000	4.300.000	TRY	100,00	SUBSIDIARY (DIRECT)
<b>TURCAS ENERJİ HOLDİNG A.Ş.</b>	HOLDİNG	241.800.000	241.795.225	TRY	99,99	SUBSIDIARY (DIRECT)
<b>TURCAS YENİLENEBİLİR ENERJİ ÜRETİM A.Ş.</b>	ELECTR. PROD.	14.500.000	14.498.840	TRY	99,99	SUBSIDIARY (INDIRECT)
<b>TURCAS KUYUCAK JEOTERMAL ELEKTRİK ÜR. A.Ş.</b>	ELECTR. PROD.	21.810.000	20.065.200	TRY	92,00	SUBSIDIARY (INDIRECT)
<b>SHELL&amp;TURCAS PETROL. A.Ş.</b>	OIL PRODUCTS	528.117.660	158.435.298	TRY	30,00	DIRECT SUBSIDIARY
<b>RWE &amp; TURCAS GÜNEY ELEKTRİK ÜRETİM A.Ş.</b>	ELECTRICTY PROD.	1.527.000.000	458.100.000	TRY	30,00	INDIRECT SUBSIDIARY
<b>ATAŞ ANADOLU TASFİYEHANESİ A.Ş.</b>	FUEL OIL STOCKING	8.400.000	420.000	TRY	5,00	FİNANCIAL INVESTMENT
<b>ENERJİ PİYASALARI İŞLETME A.Ş.</b>	ENERGY MARKETS MAN.	625.000.000	50.000	TRY	0,08	FİNANCIAL INVESTMENT

Source: [www.kap.gov.tr](http://www.kap.gov.tr)

## **B. Changes Within Last Year:**

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

1) During the monitoring period, there have been no changes in Company's capital and Articles of Association. However, the Company and the Company's 99.99% subsidiary Turcas Enerji Holding A.Ş.'s Board of Directors resolved to sell tradable buy back shares of Turcas Petrol A.Ş, which account for 5.36% of the Company's paid-in capital (14,471,335.909 shares), to Turcas Enerji Holding A.Ş. via Finans Yatırım Menkul Değerler A.Ş. with an aim to effectively manage cash among Group companies in accordance with Article 19, Clause 6 of Capital Markets Board's Communiqué numbered II-22.1 "Buy Back Shares". As a result of this transaction, buy back shares of Turcas Petrol A.Ş. will be kept under our 99.99% direct subsidiary Turcas Enerji Holding A.Ş. Currently, there is no plan to sell buy back shares of Turcas Petrol A.Ş. to any non-group company by Turcas Enerji Holding A.Ş.

### ***ii. Dividend Distribution:***

In accordance with the Board of Directors decision dated 01.04.2016, No: 2016/10, it was decided to; present recommendation of distributing TRY 14,300,000 (gross TRY 0,052963 and net TRY 0,045019 for share with a nominal value of TRY 1) as cash – to be allocated from Previous Years Profit – to the shareholders - starting from 24.05.2016 - for the approval of 2015 Ordinary General Assembly, in line with consolidated financial statements, prepared in parallel with CMB regulations and independently audited, dated 31.12.2015.

The decision was discussed at the Ordinary General Assembly on 03.05.2016 as the 7<sup>th</sup> item of the agenda and unanimously accepted. Dividend distribution took place on 25.05.2016.

Board of Directors decision about dividend distribution was disclosed on 01.04.2016 with a Material Event Disclosure, on the same day with general assembly meeting invitation.

### ***iii. Policies:***

Within the period of monitoring;

"Ethical Principles and Compliance with Regulations Policy" was revised with the Board of Directors decision dated 26.03.2016 and No 2016/09. The revision is stated below:

In the section of 'IV. Ethical Behavior Rules', the statement: "Turcas Group Employees cannot hold jobs that they would be described as "merchant", "artisan" or "self employed" and they cannot undertake any duties in other companies or commercial enterprises with merchant or artisan with or without fee" has been changed as: "Turcas Group Employees cannot hold jobs that they would be described as "merchant", "artisan" or "self employed" and they cannot undertake any duties in other companies or commercial enterprises with merchant or artisan, that might cause conflict of interest or unfair competition, with or without fee".

It has been learned that the revised policy will be presented to shareholders at the general assembly meeting to discuss 2016 activities.

#### **iv. Company Mergers, Affiliated Companies and Subsidiaries:**

Changes within last one year are below;

- According to Company's Material Event Disclosure dated 31.05.2016;

"As disclosed in our Company's public disclosure dated 05.05.2016, our 100% subsidiary Turcas Enerji Holding A.Ş. ("TEHAŞ") and BM Mühendislik ve İnşaat A.Ş. ("BM"), that is equal stake partner in our 46% indirect subsidiary Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. ("TBK"), have reached an agreement regarding TEHAŞ's acquisition of 46% stake in TBK owned by BM. Our Company has been informed that the mentioned transaction has been finalized on 30 May 2016 following the approval from Energy Market Regulation Authority ("EMRA"). The related payment was done and the new shareholding structure of TBK has been registered. Therefore, Turcas Petrol A.Ş. has become the majority shareholder at TBK with 92% shareholding ratio. TBK will be consolidated fully under IFRS consolidated financials of Turcas Petrol A.Ş. from 2Q16 onwards."

- According to Company's Material Event Disclosure dated 14.06.2016;

"Our Company has been informed that existing capital of Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. ("TBK", 92% subsidiary of Turcas Enerji Holding A.Ş.), that is TL 19,800,000, will be raised to TL 21,810,000 with an increase of TL 2,010,000 (to be funded via previously paid capital advances by shareholders) and the mentioned capital increase is to be submitted to approval of shareholders in TBK's 2015 Ordinary General Assembly dated 15 June 2016. In addition, our Company has also been informed that TBK's title revision as "Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş." will also be submitted to approval of shareholders in the above mentioned General Assembly."

- According to Company's Material Event Disclosure dated 19.12.2016;

"Board of Directors of Turcas Petrol A.Ş. ("Company") has resolved to implement the following actions with an aim to improve efficiency and manage subsidiaries & financial resources within the group more effectively:

1) The Company and the Company's 99.99% subsidiary Turcas Enerji Holding A.Ş.'s Board of Directors resolved to sell tradable buy back shares of Turcas Petrol A.Ş, which account for 5.36% of the Company's paid-in capital (14,471,335.909 shares), to Turcas Enerji Holding A.Ş. via Finans Yatırım Menkul Değerler A.Ş. with an aim to effectively manage cash among Group companies in accordance with Capital Markets Board's Communiqué numbered II-22.1 "Buy Back Shares". As a result of this transaction, buy back shares of Turcas Petrol A.Ş. will be kept under our 99.99% direct subsidiary Turcas Enerji Holding A.Ş. Currently, there is no plan to sell buy back shares of Turcas Petrol A.Ş. to any non-group company by Turcas Enerji Holding A.Ş.

2) With an aim to improve effective management of subsidiaries, it has been resolved to take over our Company's 99.99% subsidiary (via 33.32% direct shares and 66.67% indirect shares) Turcas Elektrik Toptan Satış A.Ş. ("TETSAŞ")'s 2.867.240 shares (corresponding to 66.68% shares of TETSAŞ) owned by Turcas Enerji Holding A.Ş. ( 66.67% direct shareholder of TETSAŞ) and real persons (each share having 1 TL nominal value) for a consideration of 1,633,556.74 TL (equity value), subject to the approval of regulatory bodies. As a result of this transaction, Turcas Petrol A.Ş. will become the only direct shareholder of TETSAŞ with 100% stake.



\*Abovementioned transfer operation was completed on 29.12.2016 and disclosed to public with a material event disclosure.

3) Also, with an aim to improve effective management of subsidiaries, it has been resolved to take over Turcas Enerji Holding A.Ş.'s (98.67% direct shareholder of Turcas Elektrik Üretim A.Ş. ("TEÜAŞ") and Turcas Petrol A.Ş.'s 99.99% subsidiary) 195.359.031 shares and real persons' 988 shares in TEÜAŞ (each share having 1 TL nominal value), subject to the approval of regulatory bodies and pre-approval of TEÜAŞ's financing corporations. It has been also resolved to mandate an independent valuation company regarding this transaction. TEÜAŞ holds 30% stake in RWE & Turcas Güney Elektrik Üretim A.Ş., owner of Denizli 2 Combined Cycle Gas Power Plant with an installed capacity of 775 MW. As a result of the mentioned transaction, Turcas Petrol A.Ş. is planned to become the only direct shareholder of TEÜAŞ with 100% stake. (\*)

Following finalization of the above mentioned transactions, our subsidiaries in fuel distribution & lubricants, non-renewable power generation and power trading sectors (Shell & Turcas Petrol A.Ş., Anadolu Tasfiyehanesi A.Ş.; Turcas Elektrik Üretim A.Ş. and Turcas Elektrik Toptan Satış A.Ş., respectively) will be maintained directly under Turcas Petrol A.Ş. Meanwhile, renewable energy investments will be maintained under our wholly-owned subsidiary, Turcas Enerji Holding A.Ş. These renewable energy investments are i) Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş., which undertakes the geothermal power plant investment that is under construction in Aydın Kuyucak with an expected installed capacity of 18 MW and ii) Turcas Yenilenebilir Enerji Üretim A.Ş., focused on developing geothermal, wind and solar power plant projects

(\*) According to Company's Material Event Disclosure dated 20.01.2017: At this time on 20 January 2017, again with an aim to effectively manage subsidiaries portfolio and financial resources within the group and enhance resource optimization, Board of Directors of Turcas Petrol A.Ş. resolved on 20.01.2017 to merge with TEÜAŞ whereby all of its assets and liabilities shall be transferred to our Company following the acquisition of TEÜAŞ shares, subject to the approval of regulatory bodies & financing companies. In this regard, it has been resolved to carry out necessary transactions in accordance with Turkish Commercial Code, Capital Markets Law and related legislation. More effective and active hedging mechanism is aimed with this merger transaction via reclassification of foreign currency denominated long term investment loans within the group under the same balance sheet of our Company, which has foreign currency denominated revenues."

- According to Company's Material Event Disclosure dated 04.01.2017;

"As already known, Turcas Petrol A.Ş. ("Turcas") owns 5% stake in ATAŞ Anadolu Tasfiyehanesi A.Ş. ("ATAŞ"), located in Mersin with a capacity of 570 thousand m3. Storage facilities operated by ATAŞ are owned by ATAŞ's shareholders (not by ATAŞ itself), in proportion with their shareholding ratios due to unique business structure of ATAŞ. Therefore, Turcas is also 5% direct shareholder of ATAŞ storage facilities. Remaining shareholders of ATAŞ and storage facilities are BP Group (68% stake) and Shell Group (27% stake) companies. As a result of negotiations between our 30% subsidiary Shell & Turcas Petrol A.Ş. ("STAŞ"), operating in fuel distribution & lubricants sector, and Shell Group; STAŞ acquired 27% shares of ATAŞ owned by The Shell Petroleum Company Ltd. ("SPC", one of Shell Group companies) and 27% shares of ATAŞ storage facilities owned by Raffinaderij Shell Mersin N.V ("RSM") in 30 December 2016 together with liabilities arising from the agreement, for a total consideration of TL 30 mln. As a result of this transaction, on top of Turcas' 5% direct shareholding in ATAŞ and storage facilities, indirect shareholding of 8.1% (27%\*30%), via Turcas' 30% shareholding in STAŞ, will be added."

### 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 DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ  
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS**

GRADE	DEFINITIONS
<p><b>9–10</b></p>	<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>
<p><b>7–8,9</b></p>	<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>
<p><b>6–6,9</b></p>	<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>