

Corporate Governance Principles Compliance Report

SECTION I - Corporate Governance Principles Compliance Declaration

Aygaz is aware of the benefit and importance of the Principles of Corporate Governance with regard to the capital market and companies. In a world that is becoming more globalized, it is very important to comply with international standards, to create sustainable value for shareholders, to procure funds from foreign markets and to achieve consistent growth. In this regard, corporate governance makes a significant contribution to increasing the quality of management, reducing risks and managing them better, and increasing the reliability and image of the company in the financial and capital markets.

Aygaz fully complies with the principles that are compulsory as per the Corporate Governance Communiqué No: II-17.1 and adopted a majority of the non-compulsory principles. Although we strive to fully comply with the non-compulsory Corporate Governance Principles, due to difficulties associated with the implementation of some principles, the ongoing debate both on domestic and international platforms regarding the adoption of them, and the failure to overlap with the existing structure of the market and the company, full compliance has yet to be achieved. Work is underway on the principles that have not yet been put in practice, and we are planning to adopt them upon the completion of the administrative, legal, and technical infrastructure work that would contribute to our company's effective management. The comprehensive efforts undertaken within the framework of Corporate Governance Principles and the principles that have yet to be adopted under relevant sections, and the resulting conflicts of interest, if any, are explained below.

The highlight of our work in the field of Corporate Governance in 2015 was the efforts to ensure compliance with the Capital Markets Law and the communiqués prepared based on this law. The Material Disclosures Guide, became effective by the Capital Markets Board, resolutions of CMB and codes of practice of Material Disclosures Communiqué were elaborated, various amendments and improvements were made. Within the framework of new adjustments, with the decision of our Board of Directors on 15 July 2015, certain amendments were made in information policy, primarily on information about the future. At the same time when the related material disclosure announcement was done on the Public Disclosure Platform, the policy amendment was announced to all of the stakeholders through the company's internet site.

Our Board of Directors and Board committees were restructured in accordance with the regulations of Corporate Governance Communiqué. The newly established Board committees effectively sustain their operations. A remuneration policy was determined for the Board of Directors and senior managers and submitted to the information of shareholders at the General Assembly. Through the information document prepared for the General Assembly, related information such as privileged shares, voting rights, organizational changes, background information on the nominees for Board membership, remuneration policy for the Board of Directors and senior managers, and all reports and information that must be drafted and disclosed with regard to related parties, disclosure of which is mandatory as per the principles, were submitted for the information of investors three weeks prior to the General Assembly meeting. The company website and annual report were also revised and the necessary changes were made towards full compliance with the principles.

Developments in legislation and implementations will be taken into consider to make necessary studies for full conformity with the principles in the forthcoming period.

Aygaz is not fully in compliance with the below-mentioned non-compulsory principles due to the above-mentioned reasons. The detailed information on this issue is provided below under the relevant sections of the report. Our company has not faced any conflict of interest due to the fact that it is not fully in compliance with the principles.

- Regarding the principle no 1.5.2, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital; general regulations are adopted in this field.

- Regarding the principle no 4.3.9, even though it continues its efforts in this field, the company did not set a target rate and timetable yet for the number of female members in the Board of Directors. Detailed information on this issue is provided in section 5.1.

- Regarding the principle no 4.4.7, the company does not impose any restrictions concerning additional duties that its Board Members may assume outside the company. Further information on this issue is provided in section 5.1.

- Regarding the principle no 4.5.5, due to the structure of our Board of Directors, some of our Board members have duties in more than one committee. These members help strengthen communication among committees and increase cooperation possibilities.

Aygaz A.Ş. has demonstrated the importance it places on the principles of corporate governance and its eagerness to implement these as a continual and dynamic process by receiving Corporate Governance Rating scores and remaining in the Corporate Governance Index. Operating in Turkey under license from the Capital Markets Board (CMB) to conduct

corporate governance rating activities for the companies included in the BIST Corporate Governance Index, SAHA Corporate Governance and Credit Rating Services announced Aygaz's corporate governance rating score as 9.36 on July 1, 2015 from 9.29 on July 1, 2014. Among the fields open to improvement, announcement of the company's donation policy, preparing a policy and setting a timetable to reach the target of at least 25% female board membership rate were stated. As of its date of assignment, this new corporate governance rating has made Aygaz one of the highest-rated companies in Turkey in terms of corporate governance score.

The corporate governance rating score is determined by four main categories weighted to different degrees within the framework of the CMB resolution regarding the issue. Among the improvements made in the last term by Aygaz, the announcement made on the Public Disclosure Platform about the insurance protecting the company against the possible damages, which may stem from the faults of the Board members, as well as the inhouse written document prepared for setting written rules for operation principles of the Board of Directors meetings have contributed to a significant increase in the scores received, particularly in "Stakeholders" and "Board of Directors" categories.

Taking into account the developments in the legislation and practices, necessary efforts will be undertaken also in the upcoming period with a view to increasing compliance. Aygaz's efforts in this area are accelerated thanks to its well-established corporate identity while its management structure and processes have been reorganized in compliance with these regulations.

Since the General Assembly meeting held in 2005, Aygaz has been preparing Corporate Governance Compliance Reports, publishing them on the company's internet site (www.aygaz.com.tr) and as part of its annual reports. We hereby present for your information our Corporate Governance Report, which has been prepared this year in accordance with the format set out by the Capital Markets Board Resolution dated January 27, 2014 and no. 2/35.

Corporate Governance Committee

Mansur Özgün

Levent Çakıroğlu

Ferda Erginoğlu

Chairperson

Member

Member

SECTION II – Shareholders

2.1. Investor Relations Unit

At Aygaz, Investor Relations Unit's duties stated by the article 11 of the Corporate Governance Communiqué are carried out by the Finance Department reporting to the Assistant General Manager in charge of Finance. As specified in the company's Material Event Disclosure dated September 1, 2015, Finance Manager, Mehmet Özkan, who was Manager of the Investor Relations Department as per Corporate Governance Communiqué (no. II-17.1) of the Capital Markets Board, was appointed another position in the Koç Conglomerate as of September 1, 2015. His position was replaced by Şebnem Yücel who is a full time manager in the company and meets all the requirements stated in the communiqué of CMB. As announced in Public Disclosure Platform with Material Event Disclosure dated October 16, 2015, Gökhan Tezel was appointed as the Aygaz A.Ş. General Manager as of October 1, 2015, with the Board decision dated October 16, 2015. Ferda Erginoğlu was appointed in his previous position as Assistant General Manager in charge of Finance as of November 2, 2015. Within the framework of Corporate Governance Communiqué (no. II-17.1) of the Capital Markets Board, Ferda Erginoğlu was also appointed as the member of Corporate Governance Committee as of November 2, 2015. The unit is administered by Şebnem Yücel who holds Capital Market Activities Advance Level and Corporate Governance Rating Specialist Licenses, and Selin Sanver. Requests for information may be made to the unit by e-mail at yatirimciiliskileri@aygaz.com.tr or investorrelations@aygaz.com.tr, or by phone at (0212) 354 15 15 / extensions 1510-1659.

The primary responsibilities of Investor Relations Unit are as follows:

- To maintain relations with shareholders in an orderly manner within the scope of the disclosure policy, and to ensure regular and reliable access to information about the company
- To ensure the exercise of shareholders' rights and to answer shareholders' inquiries
- To update the company website, annual report, investor presentations, earnings releases, and similar communication tools to ensure complete and rapid access to such information for shareholders
- To meet requests for information made by investors by means of various communication methods and tools such as face-to-face meetings, investor conferences, road shows,

teleconferencing, telephone, e-mail, fax, and disclosures/announcements with a view to increasing the value of the company

- To facilitate a two-way flow of information between the shareholders and the company's senior management and Board of Directors
- To keep shareholder records accurate, reliable, and up-to-date based on the records of the CRA
- To implement and monitor the Principles of Corporate Governance, and ensure compliance with such principles in the operations of the company, and represent the corporate entity of the company before the relevant ministries, the Capital Markets Board (CMB), the Borsa Istanbul (BIST), the Istanbul Settlement and Custody Bank Inc. (Takasbank), the Central Registry Agency (CRA), and other relevant institutions and organizations, and provide such institutions with reports and information as required
- To make the necessary disclosures to ISE via the Public Disclosure Platform
- To hold the General Assembly of Shareholders meetings, to hold Boards of Directors and Auditors meetings, and keep the records thereof

Shareholders generally request information and make inquiries on the profitability, share value, investments, turnover, subsidiaries, and dividend payments of Aygaz as well as the withholding tax on dividends. In 2015, more than 60 requests for information were received, and the requested information was provided in writing, verbally, and electronically.

Furthermore, in 2015, a total of two road shows and investor conferences were attended in Turkey and abroad and approximately 100 meetings were held with domestic and foreign corporate investors and brokerage house analysts. Presentations prepared for this purpose are available to all investors on the company website.

The report including all of the activities carried out throughout the year was submitted to Corporate Governance Committee on March 2nd, 2016.

2.2. Exercise of Shareholders' Right to Obtain Information

The "Investor Relations" section on the company website is constantly revised with a view to allowing shareholders to use it more easily and to access more information.

There is no discrimination among shareholders regarding the exercise of the right to obtain information and inspect, and all information is shared with shareholders with the exception of information classified as trade secret. With the exception of information classified as confidential information and trade secret, inquiries put to the Investor Relations Unit are answered both on the telephone and in writing upon conferring with the highest-ranking

official on the relevant issue. As explained under section 3.1 of this report, the company website features all relevant information and explanation that may affect the exercise of shareholders' rights.

While our Articles of Association does not designate any right to request a special auditor as an individual right, as per Article 438 of the Turkish Commercial Code, each shareholder may request from the General Assembly, even if it is not included in the agenda, the clarification of certain events through a special audit provided that doing so is necessary for the exercise of shareholders' rights and the right to obtain information or inspect what was previously exercised. To date, no such request has been made by shareholders. Furthermore, the company's operations are periodically audited by an independent auditor appointed by the General Assembly.

2.3. General Assembly Meetings

The Ordinary General Assembly meeting, where the activities for 2014 during the reporting period were discharged, was held on March 30, 2015 at the headquarters of the company located in İstanbul Şişli, Büyükdere Caddesi, No: 145/1 Zincirlikuyu with a shareholder attendance of 89%. The general assembly meetings were attended by eight members of the Board of Directors, auditors and executive management. Individual shareholders and members of the press also showed interest in the meeting. The venue, agenda and a sample power of attorney were announced to the public 21 days prior to the meeting through announcements placed in the Turkish Trade Registry Gazette (TTRG), and material disclosures made via the Public Disclosure Platform (PDP).

The 2014 annual report, auditor's report, independent audit report, financial statements and notes, and dividend distribution proposal of the Board of Directors, General Assembly information document and annexes were made available to shareholders both at the company Head Office and on the company website 21 days prior to the General Assembly meeting. The dividend distribution proposal was announced via the PDP. Shareholders made no requests with regard to the agenda. The questions posed by shareholders at the General Assembly meeting were answered by the company's Board of Directors and senior management.

At the Ordinary General Assembly meeting, which is held on an annual basis, the Chairman and members of the Board of Directors are authorized as per articles 395 and 396 of the Turkish Commercial Code to carry out the businesses that fall within the scope of the company personally or on behalf of others and to become partners in such companies and carry out other transactions. Within the framework of this authorization, members of the Board of Directors may assume other duties outside the company without any limitations.

At the Ordinary General Assembly meeting held in 2015, information was provided regarding the donations and aids given in 2014 as a separate general assembly agenda item and the donation limit for 2015 was determined as TL 10,000,000 and there have been no changes to our ongoing donation practices.

The minutes of the General Assembly are registered and announced in the TTRG and made accessible to shareholders both at the company Head Office and on the company website. General Assembly meetings are held as open to public including media and stakeholders without right to speak as it is stated in article 14 of the company's Articles of Association.

2.4. Voting Rights and Minority Rights

No privileges are accorded in the company with regard to the shareholders' voting rights. There is no shareholding company that has a mutual participation with Aygaz. Minority rights are represented at the General Assembly directly or by proxy. The Company's Articles of Association contain no provisions on the cumulative voting method. Minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital; general regulations in the legislation are adopted in this field.

2.5. Dividend Rights

There are no privileges regarding the sharing of company profits. Dividend distribution is made in accordance with and at the intervals stipulated by the relevant legal legislation.

The goal has been to determine and declare a dividend distribution policy in compliance with the Principles of Corporate Governance that will take into consideration the interests of both the shareholders and the company. At the company's Board of Directors meeting on March 5, 2014, the dividend distribution policy was revised into its present form as follows:

"The Company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Regulations on Capital Markets, Tax Laws and other related laws and regulations, and within the framework of the pertinent article of the company's Articles of Association. In line with Corporate Governance Principles, a balanced and consistent policy is adopted as regards the interests of both shareholders and the company.

In principle, as long as related regulations and financial resources allow, taking into consideration our long-term company strategies, investment and financing policies, profitability and cash position, and provided it can be covered from the legally registered profit for the fiscal year, a minimum 50% of the distributable profit calculated in accordance with Capital Markets regulations is distributed as cash and/or bonus shares.

Distribution of profit is aimed at being paid out at the latest within one month subsequent to the General Meeting of Shareholders; the date of distribution is resolved at the General Meeting. In the event the General Meeting of Shareholders passes a resolution or authorization is granted, the Board of Directors may take a decision for the distribution of profits on an installments basis in line with Capital Markets Regulations.

According to the Articles of Association of the company, the Board of Directors may distribute an advance on dividends, provided it has been authorized to do so by the General Assembly and there is compliance with Capital Markets Regulations.”

As per the Principles of Corporate Governance, the General Assembly on March 30th, 2015 was informed of the Profit Distribution Policy presented on the company website and in the annual report to ensure that the shareholders possessed this information. In 2015, the gross amount of TL 100 million was distributed to our shareholders as cash dividend for the year of 2014.

2.6. Transfer of Shares

As stated in Article 8 of the Articles of Association, only the persons registered in the share book as per the records kept in the Central Registry Agency will be considered and treated as holders of shares or holders of rights of usufruct on shares. The transfer of the publicly traded registered shares of the company shall be governed by and subject to the pertinent regulations of the Capital Markets Board.

SECTION III – Public Disclosure and Transparency

3.1. Company Website and Content

The company website is accessible at www.aygaz.com.tr. It is available in two languages including Turkish and English. As explained in detail in the company Disclosure Policy, the Investor Relations section includes main headings such as stock ID, financial statements, material disclosures, shareholders and participation, registration statement, agendas and minutes of general assembly meetings, list of attendants, proxy vote form, profit distribution policy, distribution policy, board of directors, corporate governance, news and announcements, presentations, frequently asked questions, and contact us as well as a diverse set of documents and information under these that must be featured on the website as per the principles of corporate governance and other legislation. Changes either to this information and to the legislation are reflected on the website simultaneously.

3.2. Annual Report

The company's Annual Report is drafted in a manner that includes all information stipulated by the Corporate Governance Principle No. 2.2 and its subparagraphs, in sufficient detail to ensure that the public can reach complete and accurate information regarding the company's activities and in compliance with the relevant legislation.

SECTION IV - Stakeholders

4.1. Informing Stakeholders

Company stakeholders are informed regularly on matters that concern them. Company employees are informed at internal communication meetings. Blue-collar workers at the Aygaz Gebze Plant and seamen working on vessels are members of trade unions organized in their respective industries. These workers are informed through union representatives. Regional or general dealer meetings are held every year. During the meetings held in 2015, dealers were informed about the company's activities and their requests and suggestions were received. Individual and group meetings are held with the suppliers where a mutual exchange of information takes place.

In the meantime, information is also conveyed through an extensive range of media such as the company's corporate website, e-bulletins, technical publications, and the company magazine, "Aygaz Dünyası" The Dealer Portal, which is designed specifically to improve communication with dealers, also continues to be used effectively.

Stakeholders can use the reporting line on our company's corporate internet and intranet sites to report any infringements to the rules and ethically inappropriate activities to the Internal Audit Department then to be submitted to the Audit Committee.

4.2. Stakeholder Participation in Management

At the stakeholder meetings, participants find the opportunity to express their requests and suggestions, which are then taken into consideration by the management. Furthermore, the Individual Suggestion System and e-mail pools established within the company provide an opportunity to bring new ideas, and those whose ideas are implemented are rewarded. Suggestions can be submitted through the company's corporate internet and intranet sites.

4.3. Human Resources Policy

As is true at all Koç Group companies, Aygaz's human resources policy is also based on the "Our most valuable asset is our human resources" philosophy. The Aygaz vision is to be "The best company to work for in Turkey" by our employees, who we deem to be a strategic advantage that manages all resources, by keeping their satisfaction and loyalty at the highest possible level through our established systems and practices.

Our human resources mission is to support the entire company management and all employees and to put into place human resource systems in coordination with the relevant departments, with a view to ensuring the continuity of a creative, dynamic, well-trained, motivated, and productive Aygaz team.

HR Management Principles:

- Make employee motivation and company loyalty a priority
- Provide an environment conducive to continuing training and self-improvement
- Systematically plan and develop the careers of individuals in line with the needs of the organization
- Conduct human resources planning and organizational redundancy
- Provide fair compensation and rewards
- Provide individuals with feedback on their job performance
- Hire employees based on their qualifications and the company's needs
- Honor employees with public recognition and respect their personal rights when offering criticism
- Promote social and cultural activities

In addition to union workplace representatives designated in accordance with the Collective Labor Agreement, Human Resources staff working in all the regions are charged with facilitating communication and coordination between employees and the Human Resources Department. No discrimination complaints were filed by the employees.

Aygaz Group has a Performance Management System in place for all employees. The performance of white-collar workers is evaluated through objective business objectives in the system, which was established based on the balanced scorecard methodology. For blue-

collar workers, the required functional competences to achieve excellent performance have been defined and the evaluation is made through these competences. With regard to recognition and award practices, in addition to the Individual Recommendation System and TPM applications that aim to boost efficiency, the reward categories were redefined and the Blue Star Reward System was put in place in 2012. The Blue Star Reward System aims to instantly recognize and reward high performance and efforts that make a difference.

Company employees are informed of their job definitions and distribution of work as well as performance and reward criteria. Employee satisfaction and loyalty are measured through an “Employee Loyalty Assessment Questionnaire” as a result of which areas that require improvement are determined and remedial measures are taken.

The Collective Labor Agreement between the Turkish Metal Union and our workers at the Aygaz Gebze Plant was signed on December 15, 2014 for the

September 1, 2014 - August 31, 2017 period. Meanwhile, the Collective Labor Agreement process between the Seafarers’ Union of Turkey and our seamen

working on vessels was signed on August 3, 2015 for the

January 1, 2015 - December 31, 2016 period.

No representatives have been assigned within the company to maintain relations with the employees other than the union workplace representative designated in accordance with the Collective Labor Agreement. Relations with the union are maintained by the Human Resources Department.

4.4. Codes of Conduct and Social Responsibility

Throughout more than its half a century history, Aygaz has always been an exemplary company with its integrity, reputation, reliability, ethical conduct, and its culture of compliance with laws and regulatory rules.

In the performance of their duties, employees of Aygaz, which is part of the Koç Group, are obligated to comply with the “Koç Group Goals and Principles. Committed to Koç Group’s ethical principles, Aygaz:

- Respects the respectability, privacy, and personal rights of individuals.
- Respects the differences among individuals such as race, origin, religion, gender, social class, nationality, age, and physical disability, and does not discriminate.
- Provides all of its employees with equal opportunity in personal development and career regardless of their origins and creeds as part of its employee commitments.

- Enforces the mechanisms related to the rules of work discipline in the cases of human rights violations.
- Respects the traditions, culture, and history of each and every community in which it operates.
- Respects the union rights of its employees.

In 2010, Aygaz put its “Codes of Ethical Conduct and Practice” with a view to ensuring that ethical values are extended to all employees with the same effectiveness and handed down to the following generations.

A Board of Ethical Conduct has been established so as to better assess any infringements and to harmonize the practice. The Ethics Board is comprised of the General Manager, the relevant Assistant General Manager, the Human Resources Manager, and the Legal Advisor.

The “Codes of Ethical Conduct and Practice” were made into a booklet and sent to all permanent staff, who were then requested to read it and sign the Document of Declaration and Undertaking on the last page to be included in their respective personal files. Newly recruited personnel are also informed of these principles and declare and undertake that they would adhere to them.

The principles of the company’s environmental policy have also been announced in the annual report and our corporate website. The social responsibility projects in which our company takes part as well as the efforts undertaken in this field are further explained in the relevant sections of the Annual Report.

BÖLÜM V - Board of Directors

5.1. The Composition and Election of the Board of Directors

The Aygaz Board of Directors is composed of one Chairperson, one Vice Chairperson and nine members, three of whom are independent. As of 2015, the Board of Directors has one female member. All members of the Board of Directors were elected in the General Assembly on March 30, 2015 to serve until the Ordinary General Assembly Meeting to be held to discuss the financial results for the year 2015. Backgrounds of the Board members and the General Manager are provided in the annual report.

The summary information is provided below about the non-executive members of the Board in accordance with CMB’s Corporate Governance Principles.

The offices of the Chairman of the Board of Directors and General Manager are held by different persons. While Board members are expected to spare the required time for the affairs of the company, there are no limitations imposed on them as to other duty/duties outside the company. Such a limitation is not deemed necessary particularly for independent members due to their important contributions to the Board of Directors with their respective professional and industrial experiences. Prior to the General Assembly, background of the member as well as the duties he/she performs outside the company are submitted for the information of the shareholders.

In our company, duties of the Nomination Committee have been assumed by the Corporate Governance Committee. In 2015, three nominees were submitted to the Corporate Governance Committee for independent membership, and all independent member nominees submitted their statements of independence to the Corporate Governance Committee. Declarations of nomination and backgrounds of Independent Board Members were evaluated at the Corporate Governance Committee meeting dated February 27, 2015 and the Board of Directors meeting on March 2, 2015. Each of the nominees fully met the criterion stipulated in the Corporate Governance Principles, and it was decided that all should be designated as independent member candidates. During the 2015 operating period, no situations that would eliminate independence arose.

We believe that diversity in the Board of Directors in terms of knowledge, experience and point of view will positively contribute to the company's activities and ensure the efficiency of the Board's works. Our company continues its efforts to set a target rate for female members in the Board; which ensures diversity in the Board as well. Currently, there is one female member on the Board of nine directors.

5.2. Operating Principles of the Board of Directors

The agenda of the Board of Directors is set based on the needs of the company as a result of the assessment of the company's activities. The General Manager and the Assistant Manager in charge of Finance inform and maintain communication with the Board of Directors. Assembling as required by the company's activities, in 2015 the Board of Directors held three meetings and passed a total of 17 resolutions including those that fall under the scope of paragraph 4 of Article 390 of the Turkish Commercial Code.

Board members have no weighted voting privileges and/or negative veto power. During the reporting term, all resolutions were passed unanimously.

The Board of Directors is authorized to make decisions related to the affairs of the company with the exception of powers vested in the General Assembly by the Turkish Commercial

Code. Powers and responsibilities of Board members and managers are regulated by the specimen of signature drafted in accordance with the relevant provisions of the company's Articles of Association.

Board members of the company do not carry out any transactions with the company or take part in any competitive entities. Board Members and Senior Executives of the company are covered by "executive responsibility insurance".

While reviewing the company's activities, Board of Directors questions the existence of conflict of interests, and if any, evaluates its possible results and takes necessary decisions in line with the company's benefits. The Board meticulously follows related party transactions considering compliance with regulations as well as assessing possible misconduct risks.

5.3. Number, Composition and Independence of Committees within the Board

The Audit Committee was formed within the statutory period and fulfills the duties set out by the CMB communiqué. Within this scope, it audits the company's accounting system, disclosure of financial information to the public, independent audit, and the functioning and efficiency of the internal control mechanism of the partnership. Selection of the independent auditing firm, drafting of independent auditing agreements, initiation of the independent audit process, and efforts of the independent auditing firm at all stages are carried out under the supervision of the Audit Committee. The Audit Committee convenes at least four times a year and more frequently when required as it must report in writing, along with its own assessments, to the Board of Directors on whether the annual and interim financial reports to be disclosed to the public complied with the accounting principles followed by the partnership and fully reflected the financial condition of the company after conferring with the responsible managers of the partnership and independent auditors. The Committee was convened five times during 2015. Together with the company management, the Audit Committee is responsible for the meticulous execution of internal and external audits and ensuring compliance of records, operation, and reporting with the relevant laws, rules and regulations as well as the principles set out by CMB and IFRS. In 2015, independent Board member Tunç Uluğ was appointed as the Audit Committee Chairperson and Mansur Özgün as committee member.

Independent Board member Mansur Özgün is the Chairperson of the Corporate Governance Committee, which was created to supervise compliance with Corporate Governance Principles and to examine the grounds with regard to the principles that have yet to be implemented. Levent Çakıroğlu was appointed as committee member. As per the article 11 of the new Corporate Governance Communiqué (II-17.1), which came into effect on January 3, 2014, Assistant General Manager in charge of Finance was appointed executive manager

responsible for Investor Relations Unit and member of the Corporate Governance Committee. As per the Board of Directors' decision dated October 16, 2015, Gökhan Tezel was appointed as the Aygaz A.Ş. General Manager as of October 1, 2015, whereas Ferda Erginoğlu was appointed in his previous position as Assistant General Manager in charge of Finance as of November 2, 2015. Within the framework of Corporate Governance Communiqué (no. II-17.1) of the Capital Markets Board, Ferda Erginoğlu was also appointed as the member of Corporate Governance Committee as of November 2, 2015. The Committee was convened four times during 2015.

The Risk Management Committee was established with a view to providing the Board of Directors with suggestions and recommendations regarding the identification, assessment and calculation of the impact and likelihood of all strategic, operational, financial and miscellaneous risks that may affect the company. Further, managing in accordance with the corporate risk-taking profile, reporting, and taking into consideration the decision making mechanisms of such risks, as well as the creation and integration of effective internal control systems to this end. In 2015, independent Board member Ayşe Canan Ediboğlu was appointed as the Chairperson and Dr. Bülent Bulgurlu as member of the committee. During the year, the Risk Management Committee convened seven times.

With the Board resolution dated May 4, 2012, it was decided that the activities of the Investment and Business Development Committee, renamed as the Executive Committee, established on July 15, 2010 with a view to generating ideas and strategies for the company, ensuring coordination among relevant departments, and accordingly, determining the special areas within the company's field of activity and designing and planning of new projects and investments, as well as overseeing the management of adopted strategies and projects, should be expanded in a way to provide the Board of Directors with support in all matters. The Executive Committee convenes as frequently as required by the activities of the company. The Committee was convened monthly during 2015; Mustafa Rahmi Koç was the committee Chairman with Mehmet Ömer Koç, Alexandre F.J. Picciotto, Dr. Bülent Bulgurlu and Erol Memioğlu acting as members.

As a principle, Board members do not have duties simultaneously in various committees. However, due to the structure of our Board of Directors, some of our Board members have duties in more than one committee. These members help strengthen communication among committees and increase cooperation possibilities.

5.4. Risk Management and Internal Control Mechanism

The Board of Directors is responsible for the sound operation of the internal control system and internal audit, and related efforts are coordinated by the General Manager, overseen by

the committees created by the Board of Directors and necessary information is submitted to the Board of Directors. Thus, the monitoring the efficiency of the management systems is enabled.

The Internal Audit Department, which is responsible to the General Manager but also reports to the Audit Committee as necessary, continues its efforts to put in place a more effective internal control structure by analyzing company processes and reporting to senior management the issues that it deems to be risky.

Furthermore, periodic audits are conducted by Koç Holding Internal Control Units and an independent auditing firm, and the reports drafted based on these audits are presented to the Board of Directors. Enterprise Risk Management (ERM) efforts are conducted by a team comprised of members from various departments under the supervision of the Risk Management Committee created by the Board of Directors. Detailed information on the activities of the Risk Management Committee is provided in the relevant sections of the Annual Report.

5.5. The Company's Strategic Goals

In addition to the company's vision and mission, its strategic goals have also been determined and are submitted for the information of all stakeholders through various channels. Annual targets, which are determined and set out for the company management by the Board of Directors in accordance with these, and shared by all levels. Both the Board of Directors and relevant committees are periodically briefed regarding the realization of the given targets and the developments.

The strategic goals of Aygaz are to maintain its leading position in the LPG market by sustaining its product diversity and innovative approach in autogas, increasing its market penetration through new autogas filling stations, realizing the growth potential of cylinder-gas in rural areas and to develop and strengthen the existing portfolio of subsidiaries by pursuing new acquisition, merger, and investment possibilities and taking advantage of highly profitable opportunities in both Turkey and abroad.

5.6. Financial Rights

Our Company's Remuneration Policy for the members of the Board of Directors and Senior Executives, which includes all rights, benefits and wages provided

to the members of the Board of Directors and senior executives, was changed considering Corporate Governance Committee's proposal made within the context of Capital Markets Board's Corporate Governance Communiqué No: II-17.1 dated January 3, 2014. The new

policy was approved by the Ordinary General Assembly on March 31, 2014, and took effect thereafter. This policy, which was disclosed through annual report and web site of the company, is also on the agenda of the general assembly to be held on April 4, 2016 and will be presented to the shareholders. Every year, the total of the payments made within the framework of the Remuneration Policy for the members of the Board of Directors and Senior Executives is assessed by the Corporate Governance Committee and the Board of Directors. In parallel with general practices, payments made to the board members and senior executives are also disclosed to the public in the notes to in our financial statements. There are strictly no transactions that may lead to conflicts of interest such as loaning, extension of credit, provision of guarantees to the benefit of our board members or executives.

At the company's Ordinary General Assembly Meeting on March 30, 2015, a resolution was passed to pay a yearly gross honorarium of TL 270,000 (Two hundred seventy thousand Turkish lira) to each of the members of the Board of Directors. This amount will be paid in equal installments starting from the month following the general assembly.