



Corporate Governance Compliance Rating Report



Garanti Emeklilik ve Hayat A.Ş.

22 December 2015

Validity Period 22.12.2015-22.12.2016

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Garanti Emeklilik ve Hayat Anonim Şirketi, is compiled in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, dated January 3rd 2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105 and Undersecretariat of Treasury's Communiqué on Corporate Governance Principles for Insurance, Reassurance and Private Pension companies dated 27.04.2011 and numbered number 2011/8.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group, Third Group companies, investment partnerships and unlisted companies, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014 .

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 74 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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

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

The rating grade does not constitute a recommendation to purchase, to hold or to dispose 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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**GARANTİ EMEKLİLİK VE HAYAT
ANONİM ŞİRKETİ**

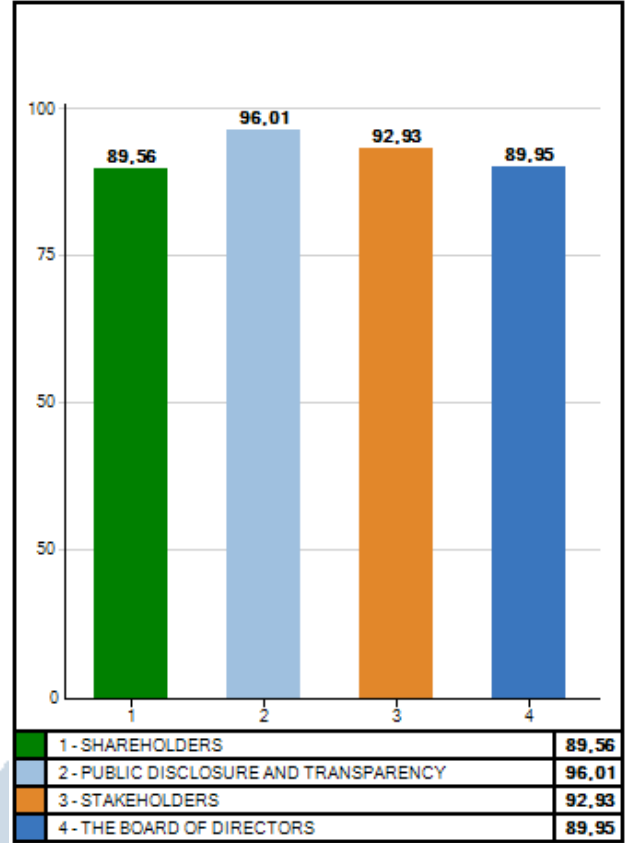
UNLISTED COMPANY

**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

9.18

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1. THIRD PERIOD REVISED RATING RESULT

The process of rating of compliance of **GARANTİ EMEKLİLİK VE HAYAT A.Ş** with the Corporate Governance Principles is concluded through onsite examinations of the documents, interviews held with executives and persons involved and by other examinations, in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş.

At the end of examination of **350** criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors as specified in the CMB's Corporate Governance Principles and the methodology of Kobirate A.S., developed for "Unlisted Companies", the Corporate Governance Compliance Rating Grade of **GARANTİ EMEKLİLİK VE HAYAT A.Ş.** is determined as **9.18**.

This result signifies that **GARANTİ EMEKLİLİK** has achieved a considerable compliance with the CMB's Corporate Governance Principles; internal control systems have been created and working; possible risks for the company have been determined to a considerable extent and actively controlled; shareholders' rights are being treated fairly; high level compliance with corporate governance principles in Public Disclosure and Transparency has been achieved; Stakeholders' rights are being treated fairly and the structure and mode of operation of Board of Directors are in compliance with corporate governance principles. The result also expresses the need for some improvements while it doesn't pose major risks.

In view of rating process under main headings in brief;

It is observed that the company has obtained a grade of **89.56** in respect to Shareholders'

Section. It is seen that the company in general has achieved a good level of compliance with the CMB Corporate Governance Principles in this section. The existence of Investors Relation Department, non existence of practices in Partnership management that makes private audit difficult, timely and duly convention of general assembly, non existence of privileges in voting rights and avoidance of practices that make it difficult to exercise voting right are salient positive achievements.

It has been deemed positive that **GARANTİ EMEKLİLİK** who gained **96.01** for Public Disclosure and Transparency has provided access to several current data on the corporate internet website, which are specified in the principles and provided all information in full in addition to those specified in the 13th article of Directive on disclosure in Insurance contracts, dated 28.10.2007 and printed on Official Gazette number 26684.

With its 2014 Annual Report, Garanti Emeklilik ve Hayat A.Ş. has won Bronze Medals in two different categories at ARC (Annual Report Competition) Awards, which is organized by American company MerComm and accepted as Oscars for annual reports. Annual reports, prepared rather comprehensively, have been found successful and sufficient in terms of content.

GARANTİ EMEKLİLİK has displayed a very good level of compliance with the principles covering public disclosure and transparency.

It is seen that the company has achieved the grade of **92.93** for the Stakeholders' Section.

The Company has achieved considerable compliance with the CMB's Corporate Governance Principles in respect to this section. Human resources policy is established; regulations are made and disclosed to the employees on the subjects concerning them including recruitment, job descriptions, performance appraisal,

promotion, awarding, leave and social benefits.

It is observed that job processes and standards are set forth and that the customers are being informed of such processes.

Compensation policy has been prepared for employees and disclosed to public. Procedures for outsourcing in terms of products and services are laid down in written documents.

Ethical Business Rules were revised in December 2015 and the employees have been informed about these revisions in order to ensure their compliance with rules. It is seen that the company has been implementing important social responsibility projects.

As for the Board of Directors Section, the Company's grade is **89.95**, representing a significant level of compliance with CMB's Corporate Governance Principles.

It is determined that the Board of Directors has set company's strategic goals, audits performance of company management, pays further attention to the company activities to be in compliance with the legislation, the Articles of Association and internal regulations.

The posts of Chairman of the Board and Chief Executive Officer are held by separate individuals and nobody in the company has unlimited authority to make decisions alone.

The Board of Directors convenes in appropriate frequency and the meetings take place in accordance with relevant laws and regulations, as well as the Articles of Association.

It is observed that the Audit, Corporate Governance, Early Risk Detection and Remuneration committees specified by the Principles have been formed and their

working principles appear in written documents.

On the other hand, there are other important indications of compliance with the Principles such as the fact that Board comprises adequate non-executive members as well as two women members and that guidelines for remuneration of top executives are set forth and have been disclosed in the corporate website.



2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

a. Company Profile



Company Name : Garanti Emeklilik ve Hayat A.Ş.
Company Address : Mete Cad. No:30 34437 Taksim İSTANBUL
Company Phone : (0212) 334 70 00
Company Facsimile : (0212) 334 63 00
E-Mail : GEMusteriHizmetleri@garantiemeklilik.com.tr
Company Website : www.garantiemeklilik.com.tr
Date of Incorporation : 1992
Registered Number : 288647
Paid in Capital : 50.000.000.-TL
Line of Business : Preparing contracts for individual retirement and life insurance, operating in related areas.

Company's Sector : Insurance and Individual Retirement

Company's Representative in Charge of Rating:

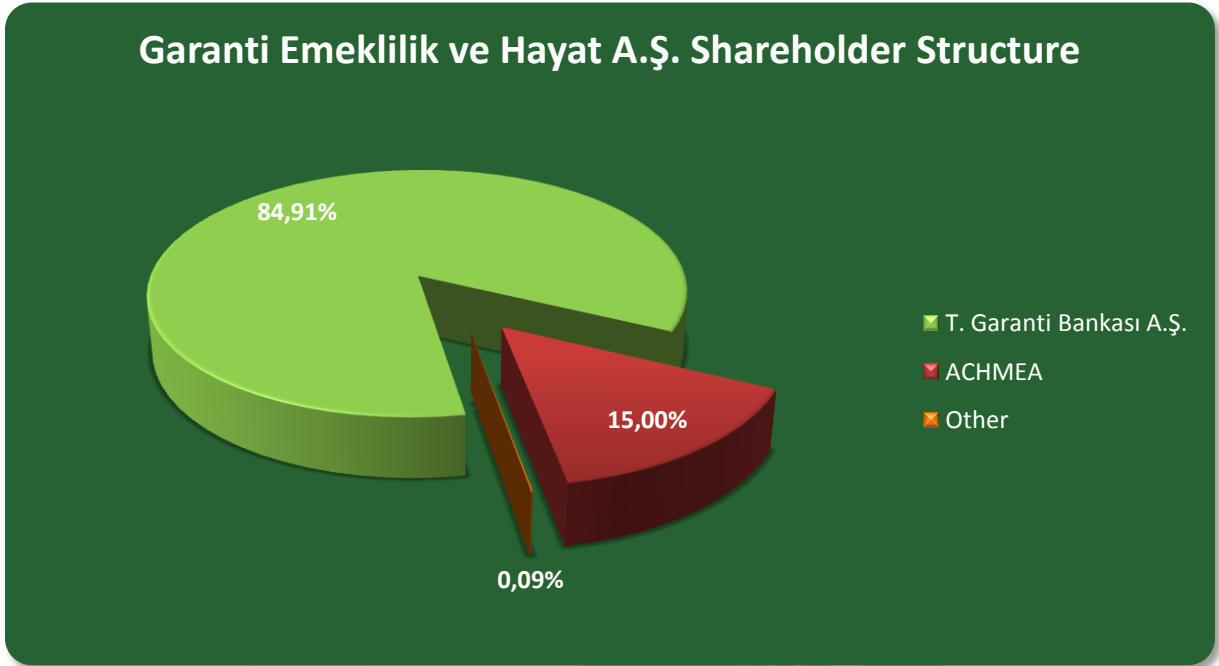
Salih İLERİ

Financial Affairs Unit Manager

SalihI@garantiemeklilik.com.tr

(0212) 334 7030

Shareholders Structure (As of report date)



Source: www.garantiemeklilik.com.tr

| Shareholder Name | Share(TL) | Share (%) |
|-------------------------|-------------------|---------------|
| T. Garanti Bankası A.Ş. | 42.456.190 | 84,91 |
| ACHMEA | 7.500.000 | 15,00 |
| Other | 43.810 | 0,09 |
| Total | 50.000.000 | 100,00 |

GARANTİ BANK

Founded in 1946 in Ankara, Garanti Bank was **Turkey's second biggest private bank** as of September 30, 2015 with its consolidated active size of USD 97.6 billion.

Garanti Bank is active in all segments of banking including corporate, commercial, SME, payment systems, private, individual and investment banking. It is an **integrated financial services group** with its international subsidiaries in Netherlands, Russia and Romania, alongside with its subsidiaries in life insurance and private pensions, financial leasing, factoring, investment and portfolio management.

As of September 2015, Garanti Bank had 998 branches in Turkey and 9 branches abroad (7 in Cyprus, 1 in Luxembourg and 1 in Malta), as well as three offices abroad (London, Dusseldorf and Shanghai). The Bank also has 4,260 ATM's with superior technological infrastructure, a **multichannel distribution network** including mobile, internet and social banking platforms and an award winning call center. With over 19,800 employees, Garanti meets all kinds of financial needs of its more than 13.7 million customers.

Source: www.garanti.com.tr

ACHMEA

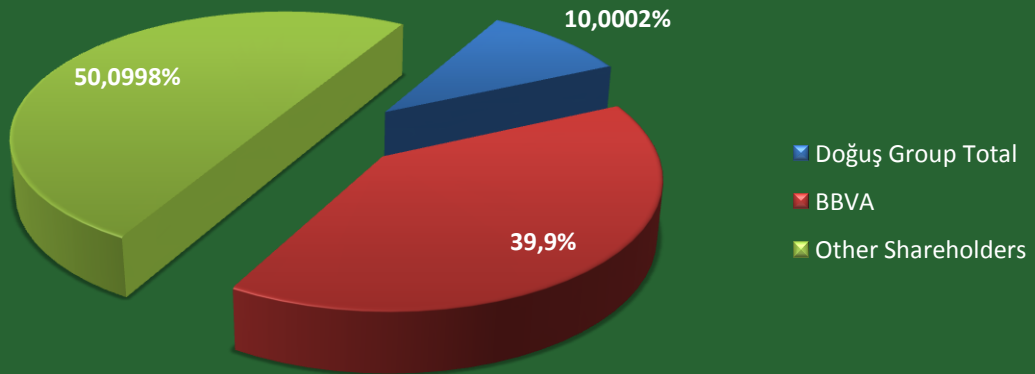
Thanks to 200 year experience, Achmea is a leading international insurance group. Although its headquarters is in Netherlands, Achmea has over 22,000 employees in Benelux and 8 other countries. The Company's line of business is insurance and it is among the leader companies of Europe. Achmea has a rich portfolio of services in insurance and financial services including pension, health and non – life insurance products.

Source: www.garantiemeklilik.com.tr

Main Shareholder T. Garanti Bankası A.Ş. Shareholder Structure

| Shareholder Name | Share | Share (%) |
|--|------------------|-----------|
| DOĞUŞ HOLDİNG A.Ş. | 259.846.372,53 | 6,1868 |
| DOĞUŞ ARAŞTIRMA GELİŞTİRME VE MÜŞAVİRLİK HİZ. A.Ş. | 159.554.237,02 | 3,7989 |
| DOĞUŞ NAKLİYAT A.Ş. | 606.546,29 | 0,0144 |
| DOĞUŞ GROUP TOTAL | 420.007.155,84 | 10,0002 |
| BBVA (BANCO BILBAO VIZCAYA ARGENTARIA, S.A.) | 1.675.800.000,00 | 39,9 |
| OTHER SHAREHOLDERS | 2.104.192.844,16 | 50,0998 |
| GENERAL TOTAL | 4.200.000.000,00 | 100 |

T. Garanti Bankası A.Ş. Shareholder Structure



Source: www.garanti.com.tr

Company Board of Directors

| Name/ Surname | Title | Executive/ Non - Executive |
|--|--|-------------------------------|
| Ali Fuat ERBİL | Chairman of Board of Directors | Non - Executive |
| Onur GENÇ | Deputy Chairman of Board of Dir. | Non - Executive |
| Didem BAŞER | Member of Board of Directors | Non - Executive |
| Javier Bernal DİONİS | Member of Board of Directors | Non - Executive |
| Maria de la Paloma Piqueras HERNANDEZ | Member of Board of Directors | Non - Executive |
| F. Nafiz KARADERE | Member of Board of Directors | Non - Executive |
| Johannes Antonius NIJSSEN | Member of Board of Directors | Non - Executive |
| M. Cüneyt SEZGİN | Member of Board of Directors | Non - Executive |
| Cemal ONARAN | Member of Board of Directors and Gen. Man. | Executive |

Top Management

| Name / Surname | Title |
|-----------------------------|--|
| Cemal ONARAN | General Manager |
| K. Çağlayan BAKAÇHAN | Assistant General Manager (HR, Purchasing and Administrative Affairs, Organization, Process and Project Management, Customer Services and Call Center) |
| Ahmet KARAMAN | Assistant General Manager (Fund Management, Budget and Reporting, Financial Affairs) |
| E. Yasemen KÖNE | Assistant General Manager (Customer Relations Management, Marketing and Strategic Planning, Corporate Communication and Digital Marketing, Central Sales) |
| Cemşit TÜRKER | Assistant General Manager (Product Development and Actuarial, Operation, Law and Relations with Shareholders) |
| Kaan GÜNAY | Individual Sales, Corporate Sales |

COMMITTEES FORMED WITHIN THE BOARD

CORPORATE GOVERNANCE COMMITTEE

| Name Surname | |
|------------------|--------------------------|
| M. Cüneyt SEZGİN | Member (Non - Executive) |
| Onur GENÇ | Member (Non - Executive) |

AUDIT COMMITTEE

| Name Surname | |
|------------------|--------------------------|
| M. Cüneyt SEZGİN | Member (Non - Executive) |
| Onur GENÇ | Member (Non - Executive) |

REMUNERATION COMMITTEE

| Name Surname | |
|----------------|--------------------------|
| Ali Fuat ERBİL | Member (Non - Executive) |
| Onur GENÇ | Member (Non - Executive) |

EARLY RISK DETECTION COMMITTEE

| Name Surname | |
|------------------|--------------------------|
| M. Cüneyt SEZGİN | Member (Non - Executive) |
| Onur GENÇ | Member (Non - Executive) |

Balance-Sheet Comparison of Company's Certain Selected Items of two periods

| | 2013/12 | 2014/12 | Change % |
|--------------------------|-----------------------|-----------------------|--------------|
| Current Assets | 5.293.293.481- | 7.329.520.960- | 38,47 |
| Non –Current Assets | 25.307.539- | 35.001.470- | 38,30 |
| Total Assets | 5.318.601.020- | 7.364.522.430- | 38,47 |
| Short Term Liabilities | 4.528.838.464- | 6.370.689.766- | 40,67 |
| Long Term Liabilities | 82.873.709- | 117.254.218- | 41,49 |
| Equity | 706.888.757- | 876.578.446- | 24,00 |
| Total Liabilities | 5.318.601.020- | 7.364.522.430- | 38,47 |

Source: Garanti Emeklilik ve Hayat A.Ş. 2014 Annual Report

Comparison of Profit / Loss Table of Company's Certain Selected Items of two periods

| | 2013/12 | 2014/12 | Change % |
|--|---------------------|---------------------|--------------|
| General Technical Department Balance | 136.936.987- | 148.329.957- | 8,32 |
| Investment Income/Spending (Net) | 41.718.685- | 66.251.994- | 58,81 |
| Other Operations Income/Spending (Net) | (4.340.059-) | (10.162-) | 99,77 |
| Net Profit/Loss | 137.980.697- | 169.916.412- | 23,15 |

Source: Garanti Emeklilik ve Hayat A.Ş. 2014 Annual Report

Summary Financial Information of the Company for Last Three Years

| <i>Financial Indicators</i> | 2012(000 TL) | 2013(000 TL) | 2014(000 TL) |
|---|--------------|--------------|--------------|
| BES Fund Size | 3.324.797- | 4.249.324- | 6.092.808- |
| Technical Provisions | 226.326- | 246.776- | 248.618- |
| Paid in Capital | 53.084- | 53.084- | 53.084- |
| Equity | 571.313- | 706.889- | 876.578- |
| Total Assets | 4.223.858- | 5.318.601- | 7.364.522- |
| Life Insurance Premium Production (net) | 233.056- | 257.075- | 269.905- |
| Technical Income Expense Balance | 120.049- | 136.937- | 148.330- |
| Non - Technical Income Expense Balance | 42.489- | 37.379- | 66.242- |
| Profit / Loss Before Tax | 162.539- | 174.316- | 214.572- |
| Net Profit | 129.046- | 137.981- | 169.916- |
| Return on Assets (%) | 3,85 | 3,28 | 2,91 |
| Return on Equity (%) | 28 | 25 | 24 |

Source: Garanti Emeklilik ve Hayat A.Ş. 2014 Annual Report

Total assets of Garanti Emeklilik ve Hayat increased by 38 % and reached TRY 7.4 billion in 2014. Its equity increased by 24 % and became TRY 877 million. The Company further strengthened its financial structure with these figures. In 2014 it became the most profitable company of its sector – as it has been for the last 4 years – by increasing its net profit after taxes by 23 % to TRY 170 million.

A major part of Garanti Emeklilik ve Hayat's profit comes from technical profits, which the Company earns in life insurance and private pension sectors. Company's gross technical profit for 2014 was TRY 148 million. 69 % of TRY 215 million profits before tax came from technical profits.

Brief History of the Company

The company was established as “AGF Garanti Hayat Sigorta Anonim Şirketi” in July 24th 1992, with an initial capital of TL 10.000. In May 18, 1999, Company’s title was changed as “Garanti Hayat Sigorta Anonim Şirketi”.

The application of the company, dated 14.11.2002, to transform itself from a life insurance company into a retirement company, in accordance with the 2nd item of temporary article 1 of Law number 4632 on Individual Retirement Saving and Investment System, printed on Official Gazette dated 07.04.2001 and numbered 4366, was accepted with the approval of Undersecretary of Treasury on 18.12.2002. Consequently, company’s title was first changed as “Garanti Emeklilik Anonim Şirketi” as it was called in Turkish Trade Registry Gazette, dated 15.01.2003 and then as “**Garanti Emeklilik ve Hayat Anonim Şirketi**”, as it was called in Turkish Trade Registry Gazette, dated 25.03.2014.

Commercial aim of the company is to prepare contracts for individual retirement and life insurance and to operate in related areas. In accordance with its Articles of Association, the Company has been active individual accident branch since July 1st, 2006.

Thanks to the synergy created through collaboration with its main shareholder Garanti Bank and its group, Doğuş, the company became one of the pioneers in the sector in a very short span of time. The company provides services through 18 regional directorate and almost 1,000 Garanti Bank branches.

Information on operations

The company conducts its operations in compliance with Insurance Law number 5684, printed on Official Gazette dated 14.06.2007, numbered 26552 and Individual Retirement Saving and Investment System Law number 4632 printed on Official Gazette dated 07.04.2001, numbered 4366, as well other regulations. As of December 31st 2014, the company signs policies and contracts in the branches of life, individual accident and retirement.

With the decision of Board, dated 28.06.2003 and after the approval Capital Markets Board, the company founded 6 retirement investment funds. Within the framework of Fund Portfolio Management Service Contract signed by both sides, these funds are being managed by Garanti Portföy Yönetimi A.Ş. At the establishment of the funds, the company allocated a capital advance of TL 2.150.000 for them.

As of December 15th, 2015 the company had a total of twenty one retirement funds.

As of October 31st, 2015, the company has reached 16.7 % market share and 975,000 participants.

It is expected that Garanti Emeklilik – and the sector - would increase its performance after 25 % contribution share based government support took place of tax promotion as of January 1st, 2013, covering all participants.

As of yearend 2013, the company’s fund volume became TL 4 billion and the number of participants reached 762,000,000. Annual increase of participants has been 152,000,000.

As of October 31st, 2015, the company’s fund volume became TRY 6,558,372,770 and the number of participants reached 975,000. Annual increase of participants was 111,000.

b. Changes within last year:

i. Changes in the Articles of Association:

There have been no changes in the Capital or Articles of Association within the period of rating.

ii. Policies and Internal Arrangements

The Company revised its policy of Dividend - one the policies that the Company has to prepare in compliance with Corporate Governance Principles – and added this phrase: “Dividend will be distributed to all shares, without taking their dates of issue and acquisition into consideration, and will be paid within legal time frames after the approval of General Assembly and at a date determined by the General Assembly.” The Company also revised its Ethics and Integrity Principles in December and prepared it in an exemplary integration. The Company established Early Risk Detection Committee within the rating period and determined its operational rules and methods.

iii. Management and Organization

The number of members in the Board of Directors was reduced to 9 from 11 and the number of women members increased to 2. There has been no change in the Company’s organization during our period of rating.

iv. Other

The Company made no increases in its capital within the year.

There is no privilege for shares that represent Company’s Capital.

Dividend of 2014 was not distributed, but transferred to reserves, in accordance with the decision taken at Company’s Ordinary General Assembly Meeting on 27.04.2015.

Company’s equity increased by 24 % and reached the level of TRY 876.5 million in comparison with the previous year. Company’s financial structure is in compliance with corporate governance principles.

The capital group which holds direct or indirect control over the Company is Garanti Bank Group with its share of 84.91 %. Another capital group with significant influence over Company’s management is Dutch Achmea with its share of 15.00 %. There has been no change in majority shares during our period of rating.

World Finance awards, which have been determining best enterprises of countries in different sectors through a jury, comprised of specialist names in their fields, are accepted as a significant reference source by finance and business circles all over the world. Garanti Emeklilik won the Award of “Best Life Insurance Company of Turkey” in 2015, based on critical evaluations of criteria such as reinsurance, financial situation, sustainable business model and customer communication.

Garanti Emeklilik also won “The Most Innovative Company” Award from independent International Finance Magazine in 2015. The award was given for Garanti Emeklilik’s project, titled, “I’m the

Customer – Life”. The project included new customer – centered sales model and technological innovation to support sales.

Garanti Emeklilik Hayat A.Ş. won the “Best Call Center 2015 Award” at Turkey Call Center Awards, organized for the 10th time by IMI Conferences. This year 32 companies competed in 12 different categories in this organization, which aims to encourage success and increase quality in the sector. Garanti Emeklilik ve Hayat A.Ş. Call Center Team got this award by winning in the category of “Call Center with Less Than 250 Chairs”.

With its 2014 Annual Report, Garanti Emeklilik ve Hayat A.Ş. won two Bronze Awards at the ARC (Annual Report Competition) Awards, organized by American MerComm who determines standards for excellence in the field of communication. Accepted in the world as the “Oscar of Annual Reports”, 29th ARC Awards received over 3,000 applications this year from more than 30 countries. Garanti Emeklilik ve Hayat A.Ş. won Bronze Awards in the insurance sector categories of “Non – Traditional Annual Report” and “Interior Design”.

Garanti Emeklilik ve Hayat A.Ş. also won Silver Award at the League of American Communications Professionals (LACP) Vision Awards with 2014 Annual Report this year. The Awards have been organized every year by LACP since 2001 and accepted as the highest level awards in the field of annual reports.

Garanti Emeklilik ve Hayat A.Ş. won one Golden and one Silver awards at Stevie Awards organization in 2015. This year over 3,700 companies from different sectors of more than 60 countries competed for these awards, which is one of the most prestigious award organizations for the international business. It has been organized since 2002. A jury comprising over 200 executives from all over the world evaluates the applicants. Garanti Emeklilik ve Hayat A.Ş. Customer Team won the Golden Award in the category of “Customer Services Team of the Year” and Silver Award in the category of “Customer Services Department of the Year” for Financial Services and Insurance sector.

Garanti Emeklilik ve Hayat A.Ş. was awarded with **liP Gold** by **Investors in People” (liP)** in November 2015. **liP** is accepted in the world as the only international quality standard in Human Resources and the award is deemed as the highest level certificate given to companies that **makes the best investment on its employees**. The Company had been awarded with the Silver Award in October 2013 by **liP**. About 1,101 companies have **liP Gold** certificate in the world. Three companies have it in Turkey and one of them is Garanti Bank, of which Garanti Emeklilik ve Hayat A.Ş. is a subsidiary.

v. 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.

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 Directive, no II-17.1, dated January 3rd 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.

In the process of rating, **350** different criteria are considered to measure the compliance of unlisted companies with the corporate governance principles.

Such criteria are translated into the Kobirate A.S.'s unique Corporate Governance Rating Questionnaire.

According to CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99

(KBRT)-267/3854, the following rates are applied in the new Corporate Governance Compliance Rating:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB has sent its notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452, on CMB decision dated 01.02.2013 and numbered 4/105 to our company, which required adding new questions into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements of CMB issued good corporate governance principles – bringing 85 % of full points at most – will be included in the rating grade.

The 2014/2 revised corporate governance compliance rating methodology, created by our company, is restricted if the minimum conditions of corporate governance principles – declared in CMB notification of Corporate Governance dated 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. As the company applies and internalizes the criteria stated in corporate governance principles and our company finds out other good corporate governance criteria complied and practiced by the company; our rating system completes the section ratings to 100.

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 unsatisfactory compliance with CMB’s Corporate Governance Principles in the existing structure.

In this report the following legends have the following meanings:

✓ Due / Correct Application of CMB’s Corporate Governance Principles

✗ Improper / Erroneous Application of CMB’s Corporate Governance principles

✓/✗ Practices required to be improved in compliance with CMB’s Corporate Governance Principles.

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

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