



Corporate Governance Compliance Rating Report



Çağdaş Faktoring A.Ş.

30 December 2015

Validity Period : 30.12.2015-30.12.2016

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Çağdaş Faktoring A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published by 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 Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 67 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 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 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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ÇAĞDAŞ FAKTORİNG A.Ş.

UNLISTED

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

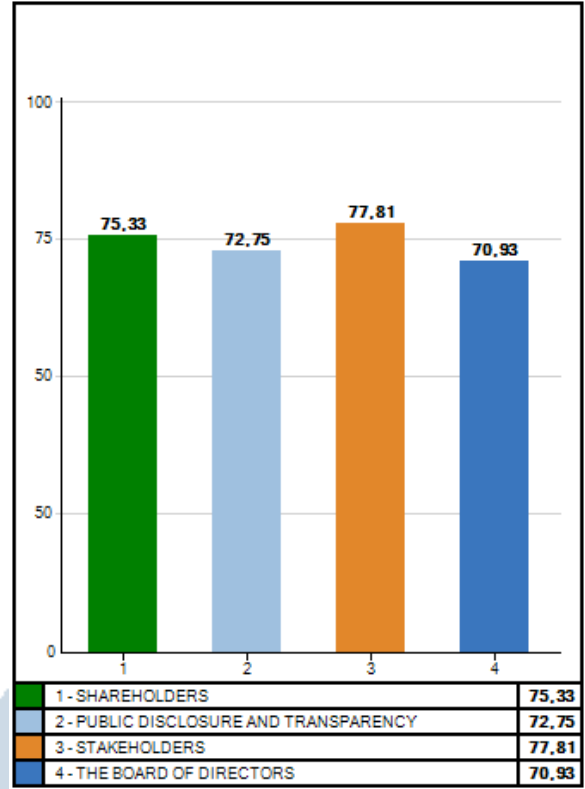
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Kobirate Uluslararası Kredi Derecelendirme
ve Kurumsal Yönetim Hizmetleri A.Ş.

Contact:

Serap ÇEMBERTAŞ (216) 3305620 Pbx
serapcembertas@kobirate.com.tr

www.kobirate.com.tr



1. RATING SUMMARY

This report of rating of compliance of **ÇAĞDAŞ FAKTORİNG AŞ** with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents and information open to public, interviews held with executives and persons involved, and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17.1 published by Official Gazette no 28871, dated January 3, 2014.

The Company has been evaluated through examination of 350 criteria described in Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology of "**Corporate Governance Compliance Rating for Unlisted Companies**". At the end of examination of criteria under the main headings of Shareholders, Public

Disclosure and Transparency, the Stakeholders and the Board of Directors, Corporate Governance Compliance Rating Grade of Çağdaş Faktoring A.Ş. has been determined as **7.35**.

This result signifies that the Çağdaş Faktoring A.Ş. has achieved good level of compliance with CMB's Corporate Governance Principles. Internal control systems have been formed and are being run, although some improvement is required. Possible risks for the Company are determined and controlled to significant extent. Shareholders' rights are treated fairly. Public disclosure and transparency activities are conducted at high level. Stakeholders' rights are treated fairly. The structure and working conditions of board of directors are compliant with corporate governance principles. There is still need for some small improvements within the scope of corporate governance principles, although it doesn't pose great risks.

In view of rating process under main headings in brief;

It has been seen that Çağdaş Faktoring has obtained the grade of **75.33** in the Shareholders Section. It is generally observed in this section that the Company has generally achieved a good level of compliance with CMB Corporate Governance Principles. Positive practices can be listed as absence of any regulations in the Company that make private audit difficult, timely and duly convention of general assemblies, absence of any privileges in exercising voting right and avoidance of policies that make exercising voting right difficult.

Çağdaş Faktoring has achieved the grade of **72.75** for the section of Public Disclosure and Transparency. It has been deemed positive that updated information, referred to in Principles, can be accessed through corporate website at the address of www.cagdasfaktoring.com.tr.

Although they are not open to public, annual reports have been assessed as successful and sufficient in terms of their content.

Çağdaş Faktoring has achieved good level of compliance with the Principles in the section of public disclosure and transparency.

The Company has obtained **77.81** in the section of Stakeholders.

Çağdaş Faktoring has achieved significant compliance with CMB's Corporate Governance Principles. Human resources policy has been prepared. Issues concerning employees, such as recruitment, job descriptions, performance evaluation, promotion, leaves and social rights have been regulated and disclosed to the employees.

Work processes and standards have been established and it is seen that customers are informed about these processes.

Compensation policy for employees has been prepared and disclosed to public.

Methods to procure products and services from outside have been determined and put into written documents.

Ethical Business Rules are set forth and introduced to employees to act pursuant to such rules. It has been seen that the Company implements some social responsibility projects.

As for the Board of Directors Section, the Company's grade is **70.93**, representing a compliance with the CMB's Corporate Governance Principles.

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

The posts of Chairman of the Board of Directors and General Manager are held by separate individuals. There is no one in the Company with sole, unlimited authority to make decisions.

It is our impression that the Board of Directors convenes regularly and procedures for meetings are incorporated in both the Articles of Association and internal regulations.

The Audit, Corporate Governance and Early Recognition of Risk Committees, referred to in the Principles, have been formed.

On the other hand, there are other important practices in terms of compliance with the Corporate Governance Principles, such as having 2 (two) non – executive members and woman member in board of directors, having determined remuneration principles for top managers and disclosed them at the corporate website.

2. 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 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.

350 criteria are used in the rating process for unlisted 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.Ş.'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.

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.

3. COMPANY PROFILE



Company Name : Çağdaş Faktoring A.Ş.
Company Address : Büyükdere Caddesi Stad Han No:85 Kat:5
Mecidiyeköy, Şişli / İSTANBUL
Company Phone : (0212) 217 71 71
Company Facsimile : (0212) 217 02 45
E-mail : cagdas@cagdasfactoring.com.tr
Company Website : www.cagdasfactoring.com.tr
Date of Incorporation : 30.01.1994
Registered Number : 310673 İstanbul Ticaret Odası
Paid in Capital : 30.000.000.-TL

Line of Business : Factoring services

Company's Sector : Factoring

Company's Representative in Charge of Rating:

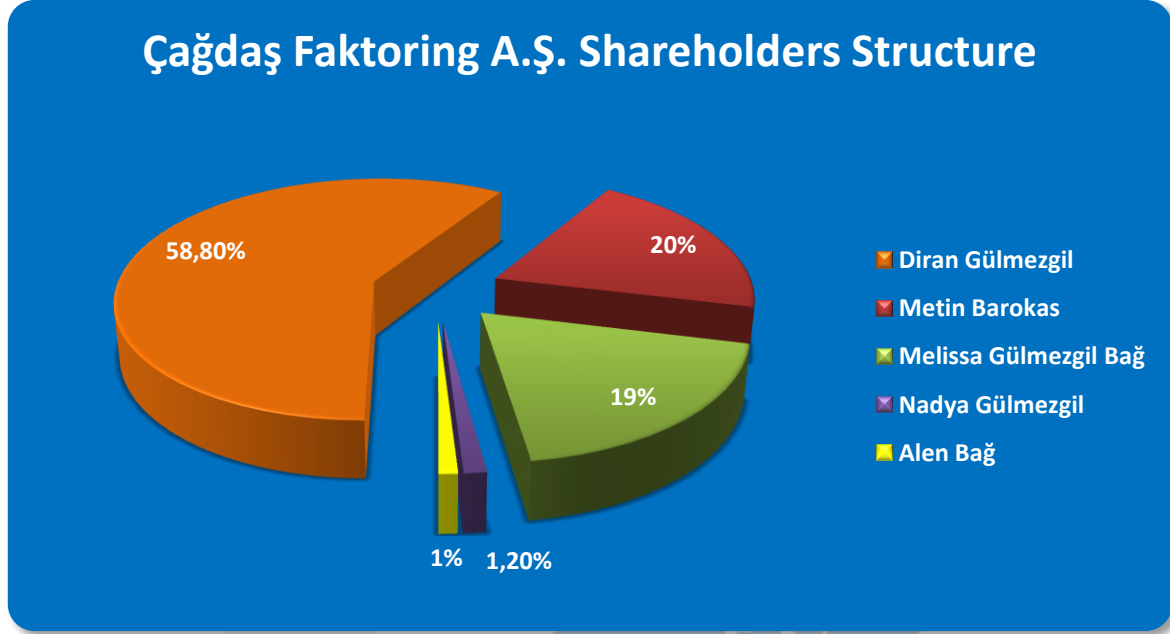
H. Faruk ÇEVİK

Financial Affairs and Operation Manager

hfcevik@cagdasfactoring.com.tr

(0212) 217 7171

Shareholders Structure (as of report date)



Source: www.cagdasfactoring.com.tr

Shareholder Name	Share (TL)	Share (%)
Dikran GÜLMEZGİL	17.640.000	58,80
Metin BAROKAS	6.000.000	20,00
Melissa GÜLMEZGİL BAĞ	5.700.000	19,00
Nadya GÜLMEZGİL	360.000	1,20
Alen BAĞ	300.000	1,00
Total	30.000.000	100,00

Board of Directors (BOD)

Name/ Surname	Title	Executive/ Non - Executive
Dikran GÜLMEZGİL	Chairman of BOD	Non - Executive
Prof.Dr. D. Ali ALP	Deputy Chairman of BOD	Independent
Mehmet C. GİRİTLİ	Member of BOD	Independent
Melissa GÜLMEZGİL BAĞ	Member of BOD	Executive
Erdoğan ÖZEN	Member of BOD / General Manager	Executive

Top Management

Name/ Surname	Title
Erdoğan ÖZEN	General Manager
Melissa GÜLMEZGİL BAĞ	Assistant General Manager
Kemal ULUDAĞ	Assistant General Manager
Ertan ŞAHİN	Assistant General Manager
Tacettin AYAN	Assistant General Manager
Şevket ZEMHERİ	Coordinator

Balance-Sheet Comparison of Company's Certain Selected Items as of Last 2 Yearend

	2013/12(000)	2014/12(000)	Change %
Total Assets	201.901	458.904	127,29
Factoring Receivables	191.277	441.373	130,75
Paid in Capital	20.000	28.000	40,00
Equity	35.489	47.531	33,93

Source: Çağdaş Faktoring A.Ş. 2014 Annual Report

Profit / Loss Table Comparison of Company's Certain Selected Items as of Last 2 Yearends

	2013/12(000)	2014/12(000)	Change %
Factoring Revenues	40.036	84.143	110,17
Factoring Spending	(12.931)	(18.434)	42,56
Finance Spending	(16.317)	(43.053)	163,85
Net Profit/Loss	3.657	14.407	293,96

Source: Çağdaş Faktoring A.Ş. 2014 Annual Report

Committees Formed Within Board of Directors:

Audit Committee

Name/ Soyadı	Title	Task
Mehmet C. GİRİTLİ	Independent Member of BOD	Chairman
Prof.Dr. D. Ali ALP	Independent Member of BOD	Member

Corporate Governance Committee

Name/ Soyadı	Title	Task
Prof.Dr. D. Ali ALP	Independent Member of BOD	Chairman
Mehmet C. GİRİTLİ	Independent Member of BOD	Member

Early Detection of Risk Committee

Name/ Soyadı	Title	Task
Prof.Dr. D. Ali ALP	Independent Member of BOD	Chairman
Mehmet C. GİRİTLİ	Independent Member of BOD	Member

Short History of the Company

The Company was founded in Istanbul in 1992 to provide factoring services for SME's and micro enterprises in Turkey. It took its current commercial title in 2012.

Çağdaş Faktoring A.Ş. has been providing finance for its customers since its establishment by taking over their receivables - on reversible basis - stemming from domestic trade relations.

The Company made a significant move to increase number of its branches at the end of 2013. Today it continues its operations through its head office in Mecidiyeköy and 13 branches in İkitelli, Dudullu, Beylikdüzü and Pendik in Istanbul, Ankara, Gebze, Samsun, Konya, Gaziantep, İzmir, Bursa, Antalya and Adana.

The Company is a member of Union of Financial Institutions.

Information on Company's Activities

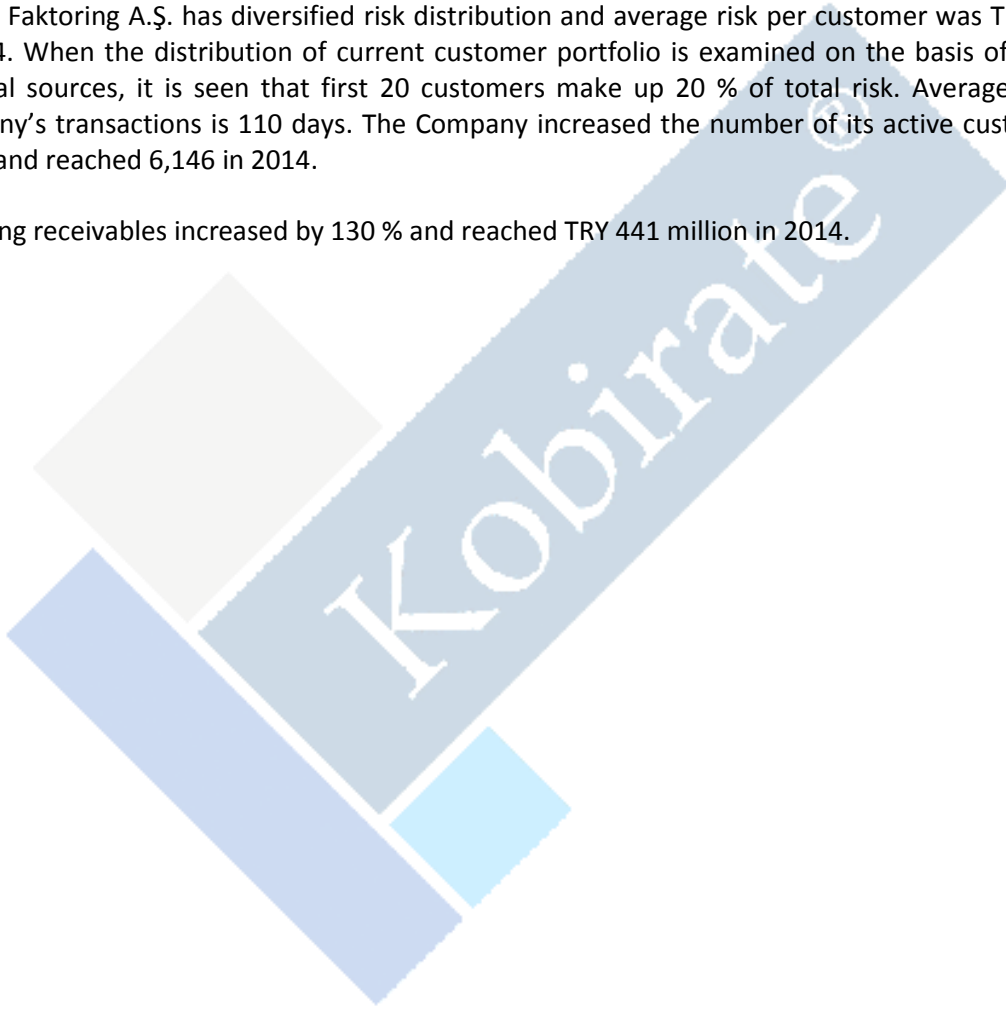
Çağdaş Faktoring A.Ş. continues its operations in parallel with its mission of completing integration of financial sector by providing an alternative financial source for SME's, which are having difficulties in reaching financial resources.

Continuing its growth trend over the years, the Company increased its total assets by 400 % and profits more than 100 % in the last 5 years.

First three sectors in the distribution of Company's factoring transactions in 2014 are construction (19.80 %), wholesale trade (19.20 %) and textiles (16.60 %).

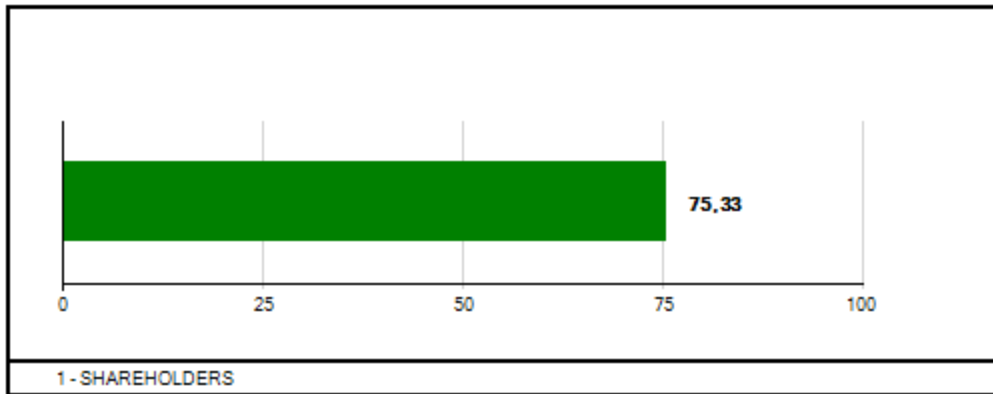
Çağdaş Faktoring A.Ş. has diversified risk distribution and average risk per customer was TRY 68,000 in 2014. When the distribution of current customer portfolio is examined on the basis of provided financial sources, it is seen that first 20 customers make up 20 % of total risk. Average term for Company's transactions is 110 days. The Company increased the number of its active customers by 134 % and reached 6,146 in 2014.

Factoring receivables increased by 130 % and reached TRY 441 million in 2014.



3. RATING SECTIONS

A. SHAREHOLDERS



Overview

- ✓ General Assemblies are held in accordance with relevant laws, regulations and the Articles of Association.
- ✓ There is no privilege in voting right.
- ✓ There are no regulations that make the use of voting right difficult.
- ✓ Dividend policy has been formed, presented for the approval of general assembly and disclosed to public.
- ✓ Internal guidelines for working principles and methods of general assembly and approved by the general assembly.
- ✓ Donations and Aid policies of the company have been prepared, presented for the approval of the General Assembly and published on corporate website.
- ✓ There is no limitation on transfer of shares.

- ✓/* There is restriction on transfer of shares.
- ✓/* Minority rights stay limited with the anticipated rate in the regulations.
- ✓/* There is no separate department to manage relations with Shareholders.

In this section, as stated by CMB's Corporate Governance Principles, the Company was evaluated on **93** different criteria, under the

headings of facilitating the exercise of shareholders' rights, shareholders' right to obtain information and to examine, shareholders' right to attend the general assembly, shareholders' right to vote, rights of minority shareholders, shareholders' right for dividend and shareholders' right to transfer their shares to whomever they want, whenever they want. The company's grade for this section is **75.33** points.

a. Facilitating the Exercise of Shareholders' Rights

Relations with Shareholders are conducted by H. Faruk ÇEVİK, Financial Affairs and Operations Manager, who reports to Kemal ULUDAĞ, Assistant General Manager. It would be appropriate to make a provision stating that relations with shareholders will be conducted within this department and to renew job descriptions in accordance with this provision.

The current information required for the proper exercise of shareholders' rights are presented to the shareholders on the Company's corporate website.

In this subsection the Company is in compliance with the Corporate Governance Principles.

b. Right to Obtain Information and to Examine

The information required for the proper exercise of shareholders' rights are presented to the shareholders and Company's corporate website www.cagdasfaktoring.com.tr is efficiently used to this end.

It is our impression that all information requests by the shareholders through phone and / or other means of communication or written documents are answered in the shortest possible time and care is given to let shareholders use their right to obtain information and to examine.

The "Information Policy", prepared by the Board of Directors and approved at the meeting of extraordinary general assembly on 19.08.2015 is on the corporate website. Shareholders' right to obtain information is explained in detail within the scope of the aforementioned policy.

There is no regulation or practice of cancelling or restricting shareholders' right to obtain and examine information imposed by the Articles of Association and/or a decision by any corporate organ.

Although there are no regulations or practices making it difficult for the shareholders to demand appointment of a special auditor from the General Assembly, no provision has been made in the Articles of Association on this subject. However, this subject is legally insured with Articles 438 and 439 of Turkish Commercial Law.

c. General Assembly

Due to the practices in the process of general assembly meeting, it can be said that the company has achieved a good level of compliance with the principles.

The Company holds general assembly meetings without announcement within the scope of Article 416 of Turkish Commercial Law.

General assembly met 2 (two) times in 2015 and the meeting to discuss activities of 2014 was held on 10.03.2015. In addition to discussing activities of 2014, following developments took place at this meeting:

- Suggested independent audit firm was approved,
- Members of Board of Directors were elected and their remuneration was determined,
- It was decided to distribute TRY 3,000,000 to shareholders from previous years' profits,
- Authority was given to Board of Directors to issue debt instruments up to TRY 140,000,000 for 2015.

On 19.08.2015, shareholders held a meeting with extraordinary agenda and took following decisions:

- To take TRY 2,000,000 from profits of 2014 and add it to the capital,
- To increase the capital to TRY 30,000,000 from TRY 28,000,000 and revise Article 6 of Articles of Association, which refers to the capital,
- To change Article 8 of Articles of Association on issuing Bonds and Securities,
- To revise Article 12 of Articles of Association on Company's Representation and Getting Under Liability,
- To distribute previous years' profits including 2014,
- To inform shareholders on the policies that Board of Directors is committed to comply with in accordance with Corporate Governance Principles.

Upon examination of the general assembly minutes and attendance lists it is determined that items of agenda were separately voted and the results of voting were disclosed to shareholders at the meeting.

It is also learned that the chairman of the meeting has taken great care to have the issues of the agenda expressed objectively, comprehensively, clearly and simply.

Shareholders were able to express their opinions and ask questions under equal conditions.

It is determined that headings of the agenda were clearly expressed, without leaving room for different interpretations and care was taken not to use words like “other” or “various”.

It is understood that general assembly meetings take place in a suitable venue to assemble.

The Company has prepared donations and aids policy and presented it for the approval of shareholders at the Extraordinary General Assembly on 19.08.2015. The amount of donations and aids in 2014 and their beneficiaries were disclosed to shareholders at the Ordinary General Assembly on 10.03.2015.

c. Voting Right

Neither the Articles of Association nor the internal procedures contain any difficulties to exercise the voting right and each shareholder is given the opportunity to exercise it in the easiest and most convenient manner.

There is no privilege in voting right and one share gives one vote.

It is possible for the shareholders' to exercise their voting right in person or by proxies - shareholder or not - at the general assembly; the shareholders are provided with the specimen proxies to be used for this purpose at Company's head office and on corporate website.

Although there is a provision in the Articles of Association on the method of voting, company officials told us that shareholders are also briefed on this subject at the meetings.

The Company doesn't have a subsidiary with mutual relationship which brings domination.

Çağdaş Faktoring's compliance with Principles is at a high level in this section.

d. Minority Rights

There has not been any violation of exercising minority shareholders' basic rights such as attendance to the general assembly, representation by proxy, imposition of no upper limit for voting rights. In this manner it is found that care is given in exercising minority rights. However the Company has adapted the ratios anticipated in regulations and no provisions were made in the Articles of Association for minority with a ratio less than the level determined by law.

e. Dividend Right

Company practices of dividend distribution are regulated by Articles 23, 24 and 25 of Articles of Association.

Dividend Distribution Policy has been prepared, approved by the General Assembly and published on the corporate website. According to this policy;

- There is no privilege on the subject of participating in Company's profit.
- Dividend, distributed in accordance with Articles of Association, cannot be taken back.
- A consistent policy, between the interests of shareholders and interests of Company, is adopted in the implementation of dividend distribution.
- Dividend is distributed to all shares, without looking their dates of issue and acquisition, at the end the fiscal period without applying principle of per diem deduction.
- If the calculated “net distributable period profit” is under 5 % of the capital, dividend distribution may not take place.

- If dividend distribution doesn't take place, Board of Directors has to inform the shareholders about the reason for this and the area where the undistributed profit is used.

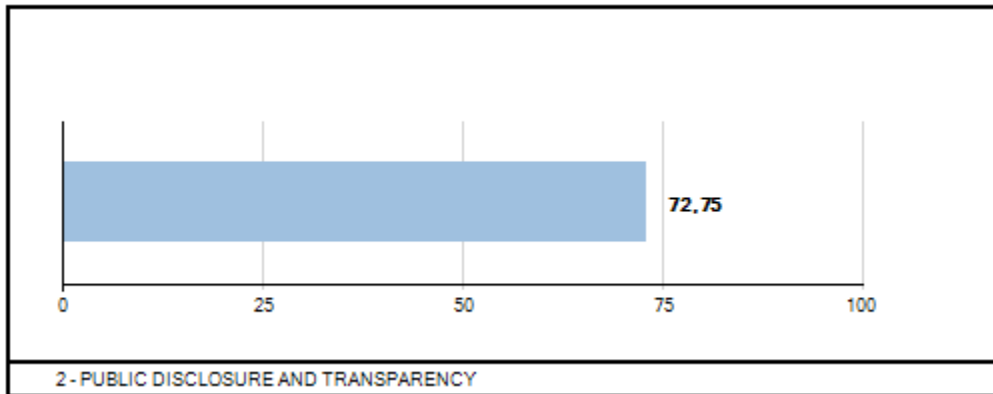
The Company has achieved a good level of compliance with the Corporate Governance Principles in this subsection.

f. Transfer of Shares

Article 7 of Articles of Association states:
"Approval of Board of Directors is obligatory for transferring registered shares and the transfer should be recorded in the share book. Otherwise, there is no restriction against transfer of shares."



B. PUBLIC DISCLOSURE AND TRANSPARENCY



Overview

- ✓ Disclosure policy has been prepared, approved by the General Assembly and disclosed to public in electronic environment.
- ✓ The corporate website is being used effectively and in transparent manner as a tool to update the public within the context of the principles.
- ✓/* It would be appropriate to develop the annual report.
- * There is no English version of information on the corporate website.

In this section, the Company has been assessed by **74** different criteria under the headings of Corporate Website and Annual Report as laid down in the Corporate Governance Principles of the Capital Market Board, for which it has deserved the grade of **72.75**.

Çağdaş Faktoring fulfills its public announcements under its Public Disclosures Policies prepared by the Board of Directors and disclosed to public.

Through the Disclosure Policy and its instruments; it is aimed to enable public institutions, shareholders, current and

potential investors, customers and other stakeholders to reach correct and full information in time and under equal conditions.

Company officials in charge of public disclosures and with signatory authority are Kemal ULUDAĞ, Deputy General Manager for Financial and Administrative Affairs and Anıl KURNAZ, Financial Affairs Official.

a. Corporate Website

The corporate website (www.cagdasfaktoring.com.tr;) serves as an active and effective platform for public disclosure and its content is updated continuously.

The information documents for public are provided on the corporate website in a timely, correct, full, comprehensible and interpretable manner in order to help people and corporations to make decisions. They are also easy to access with low cost.

The information on the corporate website is consistent with announcements made pursuant to the relevant regulation and doesn't contain conflicting and missing information.

The corporate website covers commercial registry details, most recent shareholders and management structure, final text of the

company's Articles of Association, financial reports, annual reports, agendas of general assembly meetings and meeting minutes, disclosure policy, corporate governance principles that the Company has declared to respect, human resources, ethical rules developed by the Company and information requests reached Company under the title of frequently-asked questions, in addition to the coverage of mandatory disclosure pursuant to the legislation.

It would be appropriate to publish the information on the website in English as well as Turkish, for the use of international investors.

In this subsection it has been seen that the Company has achieved a rather good level of compliance with the Corporate Governance Principles.

b. Annual Report

It is seen that Çağdaş Faktoring Board of Directors prepares the annual report in such a detail that it gives public access to full and correct information about company's activities.

In addition to subjects underlined by relevant regulations and other parts of Corporate Governance Principles, the content of annual reports comprises;

Information about Board Members' and Managers' ongoing jobs outside the company,

Information about changes of regulations, which might significantly affect company operations,

Information about its sector and expectations from it, as well as Company's position within the sector,

Information about dividend distribution,

Information about the working of Company's risk management systems,

Information about employees,

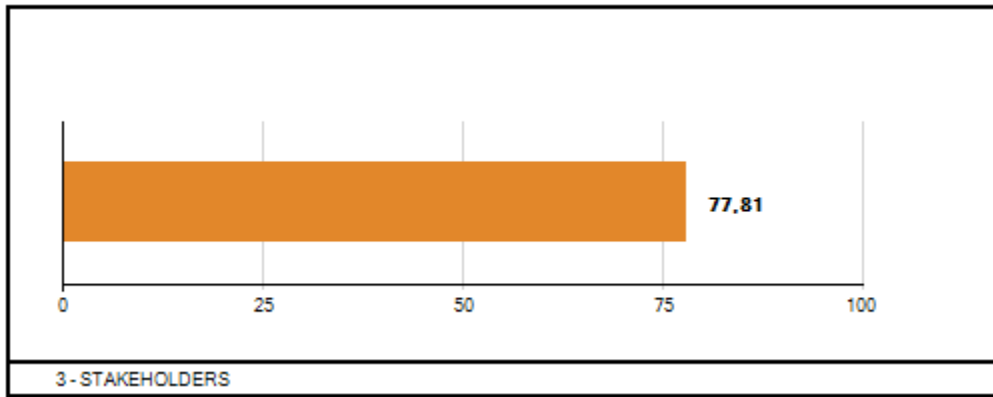
Information about Company's spending on aids, donations and social responsibility projects within the year,

Financial rights provided for Board Members and Top Executives.

Despite all this information, it is clear that the annual report needs to be further developed.

It can be said that in this subsection Company's practices are generally in compliance with corporate governance principles.

C. STAKEHOLDERS



Overview

- ✓ Ethical Rules have been formed and disclosed in electronic environment.
- ✓ There are no regulations that make it difficult for stakeholders to use their rights.
- ✓ Many internal regulations have been prepared concerning employees, customers and stakeholders.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There are no complaints by the employees about discrimination and problems in getting their rights.
- ✓ Care is given to confidentiality of information about customers and suppliers on trade secret basis.
- ✓ Compensation policy has been prepared, presented to the general assembly and published on corporate website.
- ✗ There are no mechanisms supporting stakeholders' participation to company management.

In this section, the Company has been assessed by 57 different criteria under the headings of corporate policy on stakeholders, supporting the participation of the stakeholders in the corporation's management, human resources policy of the corporation, relations with customers and suppliers, ethical rules and social responsibility as laid down in the Corporate Governance Principles of the Capital Market

Board, for which the Company has deserved the grade of 77.81.

a. Corporation's Policy on Stakeholders

The Corporate Governance Principles describe the stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations.

After onsite investigations, examinations of documents and face to face meetings with managers and employees, it has been understood that Çağdaş Faktoring has put stakeholders' rights regulated by provisions and contracts under protection in its transactions and operations.

It is concluded that the company respects the stakeholders' rights, specified in regulations and mutual contracts. The impression is that in case of lack of any regulation, the company respects stakeholders' rights within goodwill rules, company's reputation and means.

It is determined that stakeholders are adequately informed on company policies and procedures to protect their rights and the corporate website is actively used for this purpose.

Compensation Policy for employees has been formed; taking the Labor Law dated 22.05.2003 and numbered 4857 as reference. The Policy was presented to the shareholders at the Extraordinary General Assembly on 19.08.2015, after the approval of Board of Directors.

Through its practices in this subsection, Çağdaş Faktoring has achieved compliance with the Principles.

b. Supporting the Participation of the Stakeholders' in the Corporation's Management

There are no regulations in the Articles of Association or Company's internal procedures about participation of employees in management or getting opinions of stakeholders in subjects relevant to the Company.

The Company needs to make improvements in this subsection in order to strengthen its compliance with the Principles.

c. Human Resources Policy of the Corporation

Internal procedures on recruitment, working conditions, personal files, disciplinary practices, power and responsibilities of employees, remuneration, health rights, leave rights, promotions, task alterations and dismissal, death, resignation, retirement and training have been developed and it has been observed that the company sticks to these policies in practice.

We have the impression that the Company acted in accordance with the principle of providing equal opportunities for individuals with equal status, both in determining these policies and in practice.

Recruitment and career mapping procedures have been determined and tradition to comply with these procedures has been developed.

Performance and reward criteria have been established and disclosed to employees. The mentioned criteria are followed in determination of benefits for employees.

The Company implements training programs to increase knowledge, capability and experience of the employees. A training policy has not been prepared, but there is an annual budget for training programs and actions are taken within the scope of this budget.

It is understood that sufficient information is given to employees on subjects such as financial situation of the Company, remuneration, career, education and health.

Company's organization chart has been prepared according to working conditions and units and number and qualification of employees for these units have been determined with written internal regulations. It has been determined that 157 people were employed at the head office and 13 branches as of yearend 2014.

Upon examination of files at the company and interviews with employees, it has been learned that the employees are provided with a safe working environment and conditions and that there exists no discrimination among employees in terms of race, religion, language and gender.

Employee stock-options schemes have not been developed.

There is no restriction on employees' freedom of founding association after getting permission. Employees are not members of any trade-union.

It is our opinion that Çağdaş Faktoring has achieved a rather good level of compliance with Corporate Governance Principles in this subsection.

d. *Relations with Customers and Suppliers*

Relations with customers and suppliers are implemented through detailed contracts.

Information and documents obtained from customers and suppliers during the activities are kept confidential within the scope of trade secret security and they cannot be reached by unrelated individuals.

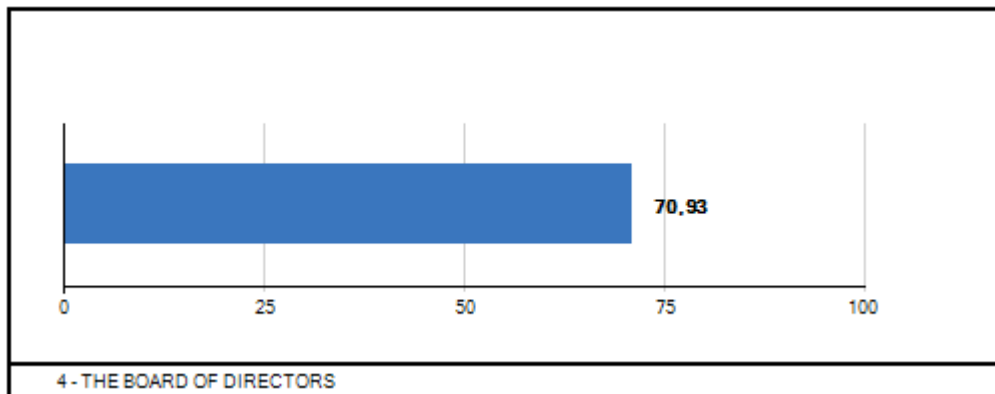
The Company has achieved a good level compliance with Corporate Governance Principles in this subsection.

e. *Ethical Rules and Social Responsibility*

Ethical Rules required to be complied by all employees are laid down, approved by the Board of Directors and published on the company website. The sanctions to be taken against employees who violate ethical principles are written on work contracts and in disciplinary regulations.

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D. BOARD OF DIRECTORS



Overview

- ✓ Company's strategic targets, human and financial sources it requires are determined by the Board of Directors.
- ✓ Chairman and CEO are separate posts.
- ✓ The number of Board Members is adequate for them to work productively and constructively.
- ✓ Majority of Board Members are non-executives.
- ✓ Two Board Members are independent.
- ✓ Every Board Member has one vote.
- ✓ There isn't any loan/credit involvement between Board Members and company.
- ✓ Corporate Governance, Audit and Early Detection of Risk Committees are established and their working principles are determined.
- ✓ There is one woman Member in the Board of Directors.
- ✗ Committees' efficiency need to be increased.
- ✗ Manager Liability Insurance against defects of Board Members duties has not been made.
- ✗ There is no practice of self – criticism and performance evaluation for Board of Directors. Members of Board are not rewarded or sacked on the base of performance evaluation.

In this section, the Company has been assessed by **126** different criteria under the headings of function of the board of directors, principles of activity of the board of directors, structure of the board of directors, procedure of board of directors meetings, committees formed within the structure of the board of directors and financial rights provided for the members of the board of directors and executives as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **70.93**.

a. Function of the Board of Directors

By the strategic decisions it takes, the Board manages and represents the company keeping the risk, growth and return in balance while paying attention primarily to company's long term interests, under a reasonable and prudent risk management approach.

In this sense, the Board of Directors has described the corporate strategic objectives and determined required human and financial resources.

The Board of Directors monitors company activities to be compatible with regulations, Articles of Association, internal procedures and established policies and audits management performance.

The Board of Directors is authorized to make decisions, to determine the strategy and represent the company at the highest level.

Çağdaş Faktoring has achieved good level compliance with Corporate Governance Principles in this subsection.

b. Principles of Activity of the Board of Directors

The Board of Directors has developed internal control systems including risk management and IT systems to minimize effects of risk and processes on stakeholders, starting with shareholders. It has been learned that the Board of Directors reviews the efficiency of risk management and internal control systems at least once a year.

Posts of Chairman of the Board and CEO are held by different individuals.

Our impression is that the Board of Directors plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders. To this end, the Board of Directors is in close cooperation with Shareholder Relations Department.

Powers and responsibilities of the Board of Directors are in the Articles of Association in a fashion clearly defined and distinguished from powers and responsibilities of the General Assembly.

It has also been observed that the Board of Directors is in continuous and effective cooperation with managers while performing its duties and responsibilities and it has been learned that managers attend Board of Directors meetings whenever necessary.

Possible damages to the company due to defects of Board of Directors Members while performing their duties have not been insured. Company officials have told us that insurance would be made in 2016.

The Company has achieved good level compliance with Corporate Governance Principles in this subsection.

c. Structure of Board of Directors

Company's Board of Directors is formed with five (5) individuals; one (1) Chairman and four (4) members. Thus the minimum requirement of five members for Board of Directors is met and the number of Board Members has been found sufficient to serve effectively and constructively and to establish committees and organize their activities efficiently.

The Board of Directors comprises executive and non-executive Members and the principle that majority of Members should be non-executive is respected. Three members of Board of Directors - apart from General Manager and Assistant General Manager - are non - executive. Two (2) of the non - executive Directors of the Board are independent, meeting CMB criteria for independence. The Independent Directors have presented to the Board of Directors their written representations that they are independent under the legislation.

On the other hand, it is deemed positive that there is one woman Member of Board of Directors. However, it would be appropriate for the company to determine a target ratio - no less than 25 %, a deadline and policies to reach these targets and for the Board to review the progress on these targets annually.

Çağdaş Faktoring has achieved good level compliance with Corporate Governance Principles in this subsection.

d. Procedure of Board of Directors Meetings

The procedure of Board of Directors meetings is regulated in Article 11 of Articles of Association.

Çağdaş Faktoring A.Ş. Board of Directors held 59 meetings in 2015.

Each Member of Board of Directors has one voting right. Articles of Association do not recognize any privileges or right to veto for any Members of Board.

Upon onsite investigation and examination of records it has been seen that Board of Directors meetings take place in accordance with existing provisions in internal regulations and the Articles of Association provisions on board meetings.

Procedure of Board of Directors meetings is made written in company through internal regulations and approved by the Board of Directors.

Çağdaş Faktoring has achieved good level compliance with Corporate Governance Principles in this subsection.

e. Committees formed within the Structure of the Board of Directors

In order for the Board of Directors fulfill its duties and responsibilities soundly; Audit, Corporate Governance and Early Detection of Risk Committees have been formed. Remuneration and Nomination Committees have not been established due to the Board of Directors' structure. Duties of these committees are carried out by Corporate Governance Committee.

Corporate Governance Committee working principles have been arranged in accordance with this organization.

Mandates, working rules and membership composition for all three committees have been determined, approved by the Board of

Directors as written documents and disclosed to public in the electronic environment.

All resources and support are provided by the Board of Directors to ensure that the committees perform their duties.

Committees invite appropriate executives to meetings to benefit from their opinions.

The Corporate Governance Committee comprises two (2) members. Both are independent members of board of directors. Committee was established with Board of Directors Decision No 20.10.2015/50 and it has not held a meeting yet.

Established to help Board of Directors in its supervising and monitoring functions, Audit Committee comprises two (2) independent members of board of directors. It was established with Board of Directors Decision No 27.02.2015/10 and held eleven (11) meetings in 2015. Both members of the Audit Committee have more than 5 years of experience in auditing / accounting and finance.

Early Detection of Risk Committee was established with Board of Directors Decision No 09.04.2015/24 and has been convening regularly every month since its establishment. The Committee held 8 (eight) meetings in 2015.

Internal audit activities are conducted within the frame of Internal Audit Plan, which has been prepared based on risk assessments and approved by the Board of Directors. Internal auditor of the Company prepared 10 (ten) monthly and 3 (three) special reports in 2015 and presented them to the Board of Directors.

The committees comprises of the following members:

Audit Committee

Name Surname	
Mehmet C. GİRİTLİ	Chairman (Independent Member of BOD)
Prof. Dr. D. Ali ALP	Member (Independent Member of BOD)

Corporate Governance Committee

Name Surname	
Prof. Dr. D. Ali ALP	Chairman (Independent Member of BOD)
Mehmet C. GİRİTLİ	Member (Independent Member of BOD)

The performance of Board Members is not measured and there is no practice of rewarding or sacking board members, depending on their performance. This situation is seen as an area in need of regulation for this subsection.

Early Detection of Risk Committee

Name Surname	
Prof. Dr. D. Ali ALP	Chairman (Independent Member of BOD)
Mehmet C. GİRİTLİ	Member (Independent Member of BOD)

Apart from the need to increase the efficiency of Corporate Governance Committee, it is our opinion that the Company has achieved compliance with CMB's Corporate Governance Principles in this subsection.

f. Financial Rights Provided for Members of the Board of Directors and Executives

Guidelines on compensation of the Directors and top executives have been put on written documents and disclosed to public in the electronic environment. These internal guidelines have been approved by the Board of Directors and presented for the approval of General Assembly on 19.08.2015.

Remuneration and all benefits provided for Members of Board of Directors or Top Executives are disclosed in the independent audit report attached to the annual report, without giving information based on individual cases or making distinction between Board and top executives. However, it would be appropriate to give information in the annual report and on individual basis.

It has been found that the Company has not lent and extended loan to any Director or top executive or made available any credit under personal loan through any third person or provided securities such as surety in favour of them.

5. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DEFINITIONS
9–10	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 recognised 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.
7–8,9	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.
6–6,9	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.

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>