



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



***Doğuş Otomotiv Servis ve Ticaret A.Ş.***

15 December 2014

Validity Period 15.12.2014-15.12.2015

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate International Credit Rating and Corporate Governance Services Inc for Doğuş Otomotiv Servis ve Ticaret A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, printed on Official Gazette dated January 3<sup>rd</sup> 2014, numbered 28871; as well as CMB's board decisions taken at Board meeting dated 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 directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

The Rating Report issued by Kobirate International Credit Rating and Corporate Governance Services Inc. is based on 63 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 International Credit Rating and Corporate Governance Services Inc. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website ([www.kobirate.com.tr](http://www.kobirate.com.tr)).

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate International Credit Rating and Corporate Governance Services Inc. formed accordingly to the methodology disclosed.

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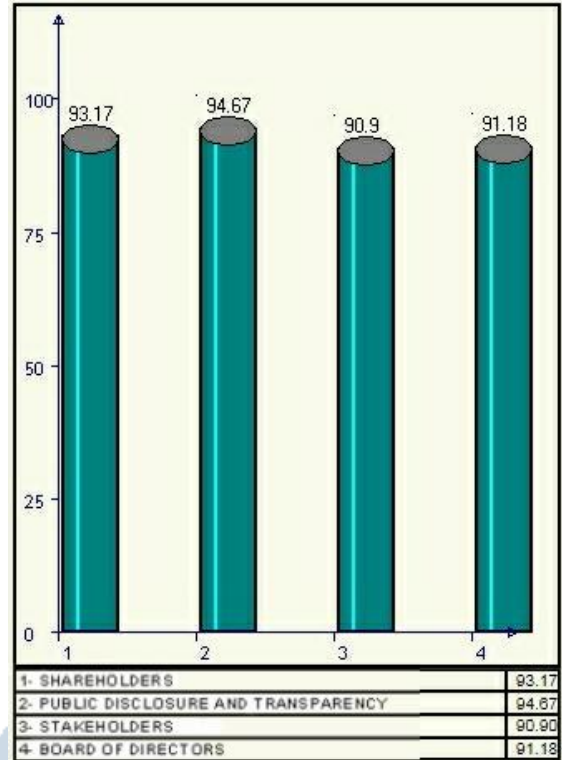
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## 1. RATING SUMMARY

The process of rating of compliance of **Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi** 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, interviews held with executives and persons involved, and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

According to CMB Bulletin dated 14.01.2014 and numbered 2014/1 **Doğuş Otomotiv**, is on **BİST 2<sup>nd</sup> Group** Companies list. At the end of examination of 401 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 "Second Group Companies of the BİST, the Corporate Governance Compliance Rating Grade of **Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi** is determined as **9.25**. This result signifies that the company has largely achieved compliance with the CMB's Corporate Governance Principles. Possible risks for the company are largely determined and actively controlled. Shareholders' rights are treated fairly. Public disclosure activities and transparency are at the highest level. Stakeholders' rights are treated fairly. The structure and working conditions of board of directors is highly compliant with corporate governance principles. However, the result also expresses a need for some improvements while it doesn't pose major risks.

The fact that Board of Directors and the Top Management believe in the importance of corporate governance and compliance to principles and consequently the pace and effectiveness of actions taken for corporate governance has played a major role in the revised grade that the company achieved.

In view of rating process under main headings in brief;

It is observed that the company has achieved a rather good level of compliance in the section of shareholders where it has obtained a grade of **93.17**.

The existence of Investors Relation Department that keeps healthy relations with shareholders, timely and duly convention of general assemblies and their proper invitations, non – existence of privileges in voting rights, establishment of a dividend policy and its disclosure to public are salient positive achievements. In accordance with CMB Directive no II.17-1, the Manager of Investors Relation Department is appointed as Corporate Governance Committee member.

It has been appreciated that **DOĞUŞ Otomotiv** who gained **94.67** for Public Disclosure and Transparency has developed its disclosure policy, presented it to the general assembly and shared it with public and provided access to several current data on the corporate internet website, which are specified in the principles and might be needed by the investors. The annual report is sufficient in terms of content and information is supported with graphics. In this section **DOĞUŞ Otomotiv** has displayed a significant level of compliance with the principles on public disclosure and transparency.

It is observed that the company reached the grade of **90.90** for the Stakeholders' Section.

In this section the company has achieved a significant compliance with CMB's Corporate Governance Principles. A human resources policy is established; regulations are made and disclosed to the employees including

recruitment, job descriptions, performance appraisal, promotion, awarding, leave and social benefits. Education and training policies, as well as annual training programs have been prepared and disclosed to employees.

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

Procedures for outsourcing in terms of products and services are laid down in written documents.

Ethical Principles and Rules are set forth and introduced to employees to act pursuant to such rules.

Corporate responsibility policies are prepared and activity in this field is being disclosed to public through corporate website, annual reports and corporate social responsibility reports.

As for the Board of Directors Section, the Company's grade is **91.18**, representing a rather good level compliance with the CMB's Corporate Governance Principles.

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

The posts of Chairman of the Board and Chief Executive Officer are held by separate individuals. There is no executive in the company who is authorized to take decisions on his own.

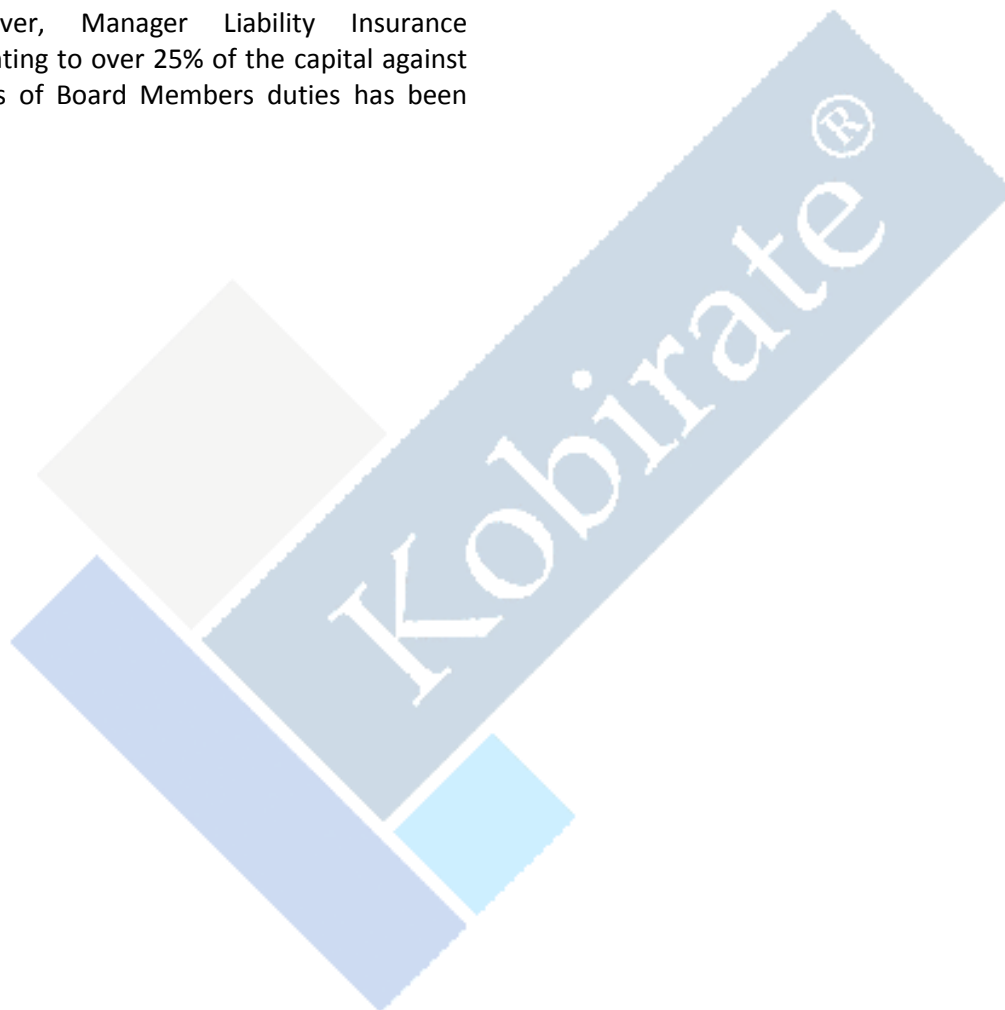
The Board convenes regularly and procedures for meetings are incorporated in both the Articles and internal directives.

It has been observed that the Audit, Corporate Governance and Early Detection of Risk Committees referred to in the Principles have been formed, whose working principles appear in written documents. Moreover

there are some committees within the Board that include professionals and these operate actively.

There are also other important indications of compliance with the Principles such as the fact that Board comprises one (1) executive, eight (8) non- executive and adequate amount of independent members, and that guidelines for remuneration of top executives are set forth and presented to the shareholders at the general assembly meeting as a separate item of agenda.

Moreover, Manager Liability Insurance amounting to over 25% of the capital against defects of Board Members duties has been made.



## 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 Directive, no II-17.1, dated January 3<sup>rd</sup> 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, **401** different criteria are considered to measure the compliance of BIST second group firms 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 internalize 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.



### 3. COMPANY PROFILE



<b>Company Name</b>	: Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi
<b>Company Address</b>	: <b>Legal Headquarters</b> Maslak Mahallesi, Ahi Evran Cad., Doğuş Center No:4 İç Kapı No:7, Sarıyer/ İSTANBUL <b>Headquarters Office</b> Şekerpınar Mahallesi Anadolu Caddesi No: 22 41420 Şekerpınar - Çayırova / Kocaeli
<b>Company Phone</b>	: (0262) 6769090
<b>Company Facsimile</b>	: (0262) 6769096
<b>Company's Web Address</b>	: <a href="http://www.dogusotomotiv.com.tr">www.dogusotomotiv.com.tr</a>
<b>Date of Incorporation</b>	: 19/11/1999
<b>Registered Number</b>	: 429183 / 376765
<b>Paid in Capital</b>	: 220.000.000.-TL
<b>Line of Business</b>	: Import of automotive and spare parts, sales – marketing and services
<b>Company's Sector</b>	: Automotive Sector

**Company's Representative in Charge of Rating:**

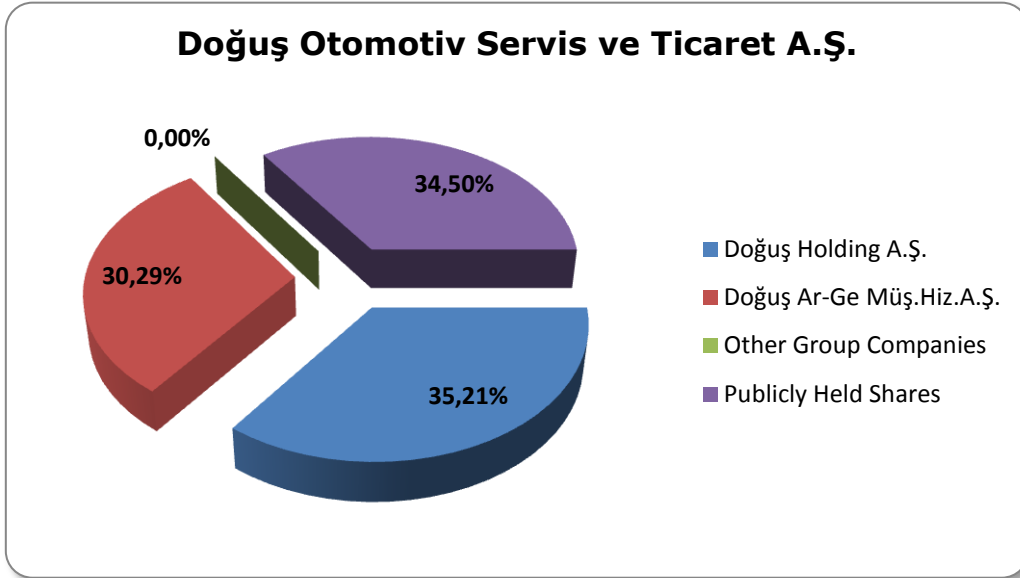
**H. Müge YÜCEL**

**Investor Relations Officer**

[muyucel@dogusotomotiv.com.tr](mailto:muyucel@dogusotomotiv.com.tr)

**0262 6769058**

*Shareholders Structure (As of report date)*



Source: [www.dogusotomotiv.com.tr](http://www.dogusotomotiv.com.tr)

Shareholder Name	Share (TL)
Doğuş Holding A.Ş.	77.461.218
Doğuş Ar. Ge. ve Müş. Hiz. A.Ş.	66.638.086
Publicly held	75.900.000
Other Group Companies	696
<b>Total</b>	<b>220.000.000</b>

*Real Person Ultimate Controlling Shareholders (As of report date)*

Shareholder Name	Share (%)
Şahenk Family	73,45 %
Others	26,55 %
<b>Total</b>	<b>100,00%</b>

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

### Company Board of Directors

Name/ Surname	Title	Executive/ Non Executive
Aclan ACAR	Chairman of Board, Corporate Governance Committee Member, Early Risk Detection Committee Member, Remuneration Committee Member	Non - Executive
Süleyman Kadir Tuğtekin	Deputy Chairman of Board, Remuneration Committee Member	Non - Executive
H.Murat Aka	Board Member, Early Risk Detection Committee Member	Non - Executive
Emir Ali Bilaloğlu	Board Member / CEO	Executive
Özlem Denizmen Kocatepe	Board Member	Non - Executive
E.Nevzat Öztangut	Board Member, Corporate Governance Committee Member	Non - Executive
R.Yılmaz Argüden	Independent Board Member, Chairman of Corporate Governance and Early Risk Detection Committees, Committee Member Responsible for Audit	Non - Executive
Ferruh Eker	Independent Board Member, Committee Chairman Responsible for Audit	Non - Executive
E.Gülden Özgül	Independent Board Member, Chairman of Remuneration Committee	Non - Executive

### Company Board of Executives

Name/ Surname	Title
Emir Ali Bilaloğlu	Board Member & CEO
Dr. İ. Berk Çağdaş	General Manager Financial and Administrative Affairs
Giovanni Gino Bottaro	Brand General Manager Audi, Bentley, Lamborghini and Bugatti
İlhami Eksin	Brand General Manager Scania, Krone, Meiller, Scania Industrial and Marine Engines
Anıl Gürsoy	General Manager DOD, Seat and Porsche
Kerem Güven	Brand General Manager VW Commercial Vehicle
Mustafa Karabayır	General Manager Spare Parts and Logistics General Manager
Tolga Senyücel	General Manager Skoda Yüce Auto
Vedat Uygun	Brand General Manager VW Passenger Car

**Board Committees:**

**Corporate Governance Committee**

Name/ Surname	Title	Job
R.Yılmaz ARGÜDEN	Independent Board Member	Committee Chairman
Aclan ACAR	Chairman of Board	Committee Member
E. Nevzat ÖZTANGUT	Board Member	Committee Member
H. Hüsnü GÜZELÖZ	Chairman of Board Advisor and Chief Legal Advisor	Committee Member

**Audit Committee**

Name/ Surname	Title	Job
Ferruh EKER	Independent Board Member	Committee Chairman
R. Yılmaz ARGÜDEN	Independent Board Member	Committee Member

**Early Risk Detection Committee**

Name/ Surname	Title	Job
R. Yılmaz ARGÜDEN	Independent Board Member	Committee Chairman
Aclan ACAR	Chairman of Board	Committee Member
H. Murat AKA	Board Member	Committee Member
H. Hüsnü GÜZELÖZ	Chairman of Board Advisor and Chief Legal Advisor	Committee Member

**Remuneration Committee**

Name/ Surname	Title	Job
E. Güliden ÖZGÜL	Independent Board Member	Committee Chairman
Aclan ACAR	Chairman of Board	Committee Member
Süleyman Kadir TUĞTEKİN	Board Member	Committee Member

**Dealer Committee**

Name/ Surname	Title
Cem YURTBAY	Chairman of Board Advisor
Emir Ali BİLALOĞLU	Board Member & CEO

**Strategic Planning and Business Development Committee**

Name/ Surname	Title
Özlem Denizmen KOCATEPE	Board Member
Emir Ali BİLALOĞLU	Board Member & CEO
Süleyman Kadir TUĞTEKİN	Board Member

### **Disciplinary Committee**

Name/ Surname	Title
Emir Ali BİLALOĞLU	Board Member & CEO
H. Hüsnü GÜZELÖZ	Chairman of Board Advisor and Chief Legal Advisor

### **Compliance Committee**

Name/ Surname	Title
E. Nevzat ÖZTANGUT	Board Member
H.Hüsnü GÜZELÖZ	Chairman of Board Advisor and Chief Legal Advisor
H.Murat AKA	Board Member

### **Human Resources Committee**

Name/ Surname	Title
Aclan ACAR	Chairman of Board
Emir Ali BİLALOĞLU	Board Member & CEO
H.Hüsnü GÜZELÖZ	Chairman of Board Advisor and Chief Legal Advisor

### **Balance-Sheet Comparison of Company's Certain Selected Items of last two yearends**

	2012/12(000)	2013/12(000)	Change %
Current Assets	1.019.903	1.281.701	25,67
Trade Receivables	445.668	618.939	38,88
Stocks	483.841	520.176	7,51
Fixed Assets	1.202.949	1.182.645	-1,69
Total Assets	2.222.852	2.464.346	10,86
Short Term Liabilities	920.118	1.075.520	16,89
Long Term Liabilities	115.841	270.762	133,74
Paid In Capital	220.000	220.000	-
Equity	1.186.893	1.118.064	-5,80

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

### **Revenue Table Comparison of Company's Certain Selected Items of last two yearends**

	2012/12(000)	2013/12(000)	Change %
Sales Revenues	5.132.341	6.602.663	28,65
Sales Cost (-)	(4.418.927)	(5.853.047)	32,45
Operational Profit/Loss	306.326	306.874	0,0018
Financial Spending	(60.840)	(68.390)	12,41
Profit / Loss Before Tax	310.429	275.880	-11,13
Period Profit/Loss	258.728	224.728	-13,14

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

**The Bottom and Peak Closing Values of Company's Shares traded on the BIST during last Year  
(31.10.2013-31.10.2014)**

<i>Bottom</i>	<i>Peak</i>
<b>6,12 (20.01.2014)</b>	<b>9,86 (07.11.2013)</b>

Source: Dođuş Otomotiv Servis ve Ticaret A.Ş.

***Brief History of the Company***

Dođuş Otomotiv Sanayi ve Ticaret A.Ş. started its operations as VW AG distributor. The company was restructured in 1999 and all brands in automotive operations were put together under company's current title in 2004. Having celebrated its 20<sup>th</sup> Anniversary in 2014, Dođuş Otomotiv is the leading automotive importer and one of the largest distributors in Turkey.

As the company has increased the brands that it distributes, it has also made dealership and production agreements with different brands. The leading distributor in Turkey's total import market, Dođuş Otomotiv has the dealership of 14 international brands that are leaders in their respective sectors in passenger car, light commercial vehicle, heavy vehicle, industrial and marine engines and cooling systems. These brands are; Volkswagen Passenger Car, Volkswagen Commercial Vehicle, Audi, Porsche, Bentley, Lamborghini, Bugatti, SEAT, Skoda, Scania, Krone and Meiller. The company presents a large portfolio comprising more than 80 models of these brands. The company has Scania Engines in industrial and marine engines, Thermo King in cooling systems market, as well as DOD brands that it created in second hand market.

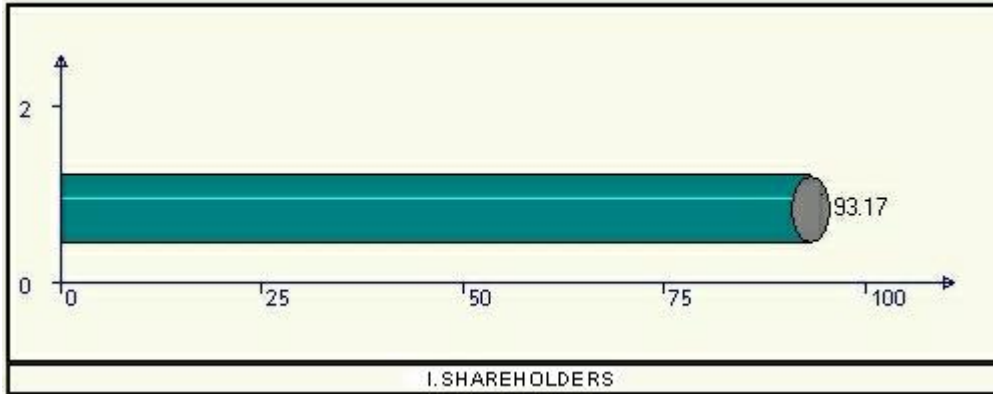
Taking customer satisfaction as priority, Dođuş Otomotiv has one of the largest networks of License Dealership and Service. It provides sales, service and spare part services for its customers at more than 500 points all over Turkey.

In parallel with its strategy of operating in all rings of value chain, Dođuş Otomotiv continuously extends its portfolio of services. In addition to its activities in the fields of consumer finance, spare parts and accessory trade, logistics, customer services, second hand car trade, fleet hiring, fast service, vehicle inspection and insurance, the company invested in production in recent years with Meiller Dođuş Damper factory in Sakarya and trailer factory in Tire, Izmir.

Dođuş Otomotiv opened 34,50 % of its capital to public in 2004 and achieved a fast and strong performance in terms of brand / company awareness. It printed the results of Corporate Reputation Survey in 2008 and Corporate Responsibility Reports in 2009 and 2010, for the first time in its sector. Dođuş Otomotiv has been continuing its corporate social responsibility activities for 10 years without interruption.

#### 4. RATING SECTIONS

##### A. SHAREHOLDERS



#### Overview

- ✓ A unit has been established to continue relations with shareholders on a healthy basis.
- ✓ General Assemblies are held in accordance with regulations and main contract.
- ✓ General Assemblies are open to public and this information is given in invitations.
- ✓ Donations and Aid policies of the company are prepared, presented for the approval of the General Assembly and disclosed to public.
- ✓ Shareholders have been briefed on donations and aids given in the period and on users of them at the general assembly meeting.
- ✓ There is no privilege in voting right.
- ✓ There are no regulations that make the use of voting rights difficult
- ✓ Dividend policy is established, presented for the approval of the General Assembly and disclosed to public.
- ✓ There is a regulation in the Main Articles allowing for dividend advance.
- ✓/\* Adding an item on the Main Articles, saying that general assembly meetings will be open to public will be appropriate.
- ✓/\* Making a regulation in Main Articles to widen minority rights will

strengthen compliance with Corporate Governance Principles.

In this section, as stated CMB's Corporate Governance Principles, the company was evaluated on **115** different criteria, including **Facilitation of Shareholders' Rights**, shareholders' right for **Obtain and Review Information**, 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 **93.17** points.

##### a. Facilitation of Shareholders' Rights

Operations involving Relations with the Shareholders are performed by the Investors Relations Unit. Müge YÜCEL and Bahar EFEÖĞLU AĞAR work in this unit.

In order to achieve compliance to the "Investor Relations Department" section of CMB's Corporate Governance Directive, numbered II-17.1, Investors Relations Unit Director Hasan Hüsnü GÜZELÖZ was appointed as Member of Corporate Governance Committee and it was disclosed to public with a Special Situation Announcement, dated 30.06.2014.

Investors Relations Unit reports directly to the general manager.

It has been found that the employees working in the Investor Relations Unit have adequate qualifications in terms of knowledge and experience required for the task, that they play an effective role in protection and facilitation of shareholders' rights, starting with the right to obtain and review information.

It has been determined that the Investor Relations Unit reports and makes presentation on operations regularly once a year. It is seen that this presentation is made in the format of "Investor Relations Operations Report", covering all operations throughout the year and that it is very detailed. It is also learned that the unit reports regularly to CFO every week and that CFO presents these reports to the Board once a month after they are consolidated.

Any data that might affect the exercise of shareholders' rights are currently at disposal of shareholders on the corporate Internet website.

In this subsection the company has achieved rather good compliance with the principles.

**b. Right to Obtain and Review Information**

The information required for the proper exercise of shareholders' rights are presented to the shareholders and the company's web site [www.dogusotomotiv.com.tr](http://www.dogusotomotiv.com.tr) is used efficiently to this end.

All information concerning the company has been given on time, truthfully and completely. There have been no warnings or fines on this issue given by Regulatory authorities.

It is learned that inquiries of shareholders are answered by phone, e mail or face to face meetings without discrimination. It is also learned that in 2013 more than 2,000

inquiries were made by phone and more than 2,400 by e – mail or facsimile and demanded information was given to appliers. 169 one on one meetings, 11 multi – participation teleconferences and 2 analyst meetings took place in the same period in order to give information to individual and corporate investors and shareholders.

The "Disclosure Policies", approved by the board, appear on the website, explaining in detail the shareholders' right to get and review information under the aforementioned policies

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

Although there are no regulations and practices to make difficult for shareholders' to use their right to demand appointment of a special auditor in the general assembly; there is no regulation in the main contract on the use of this right.

**c. Right to Attend the General Assembly**

Due to the practices in the general assembly, the company has achieved compliance with many principles hereunder.

The general assembly meeting to discuss the operations of 2013 took place on 27.03.2014. The announcement of the meeting was made 3 weeks before the meeting on 05.03.2014.

It has been also found that financial tables, annual report, audit reports and Board's dividend proposal, all of which should be ready for the review of shareholder according to article 437 of Turkish Commercial Law no 6102 and other announcements that partnership should make in accordance with regulations and Corporate Governance Principles have been shared with shareholders 3 weeks before the General Assembly.



In order to increase participation of shareholders general assemblies are held at company's head office, avoiding inequalities among shareholders and enabling them to participate with minimum costs.

The document explaining the items of general assembly agenda was put on the corporate internet website simultaneously with the announcement of general assembly. It is also observed that the shareholders have been notified about total number of shares reflecting company's shareholder structure and voting rights as of the announcement date, as well as information on whether there is any privileged share within the company's capital. It is also seen that important information on the management and operations of the company or of its subsidiaries and on transactions that might cause conflict of interest, transactions with related parties, guarantees and mortgages.

When the agenda was being prepared, special care was given to express the items clearly in order not to cause different interpretations and to avoid using expressions like "other" or "various".

At the general assembly meeting that our experts also attended, it was observed that the chairman of board, CFO, legal advisor, company auditor and officers responsible for preparing financial tables and persons related to specific issues on the agenda were available. It was seen that the items on the agenda were separately voted and the results were shared with shareholders before the closure of the meeting. It was also noted 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 was seen that the chairman of the meeting let all the questions of shareholders to be answered, except those that are considered as commercial secret. All the questions and answers have been disclosed to public by

being recorded at the minutes and put on the corporate website.

Allowing majority shareholders, board members, managers with administrative responsibilities their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in commercial activities in the same business area with the company or its subsidiaries in their own name or on behalf of someone else or joining another company, who operates in the same business area, as unlimited partners was included in the general assembly agenda as a subject.

General Assembly was informed that company did not give guarantees, pledges, mortgages and bails or provide revenue or interest in favor of third persons, in accordance with the articles of CMB's Corporate Governance Directive numbered II-17.1. In another item, the general assembly was informed on amount of all aids and donations for that period.

There is no regulation in the main Articles about general assembly meetings' being open to public including stakeholders and media, without right to address the meeting and this is seen as a deficiency. However this information is given in meeting invitations and meetings are open to public.

Disclosing to public the information on whether the shareholders sent written requests to investors' relations unit in order to have items added on the agenda will increase compliance with principles to a higher level.

#### ***d. Voting Right***

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

It is possible for the shareholders' to exercise their voting right in person or by proxies, whether member or not at the general assemblies; the members are submitted with the specimen proxies to be used for this purpose at firm's headquarters and on corporate internet website.

General assembly information document has information on the distribution of company shares and on the issue of privilege in voting right. The document clearly states that each share provides one voting right and there are no privileged groups among shareholders.

The company doesn't have a subsidiary with mutual relationship which brings sovereignty.

In this subsection **Doğuş Otomotiv** has achieved a high level of compliance with the principles.

#### **e. Minority Rights**

There has not been any violation of exercise on minority shareholders' rights 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 to the exercise of minority rights.

However, there is no regulation to widen the scope of minority rights in the Articles and to include arrangements to give same rights to shareholders with less than one twentieth of the capital.

#### **f. Dividend Right**

Dividend practices of the company are regulated in 24<sup>th</sup> article of the Main Contract. Article 25 / b of the Main Contract states that the company can distribute advance dividend to shareholders in accordance with CMB regulations.

Pursuant to the criteria laid down by CMB directives and by the Turkish Commercial Law, the Company has prepared its Dividend Policy

and disclosed it to public in the electronic environment.

Dividend policy contains the minimum data enabling the investors to foresee the procedure and guidelines for distribution of profit to be generated by the company in future periods. Within this scope, information like dividend distribution ratio, payment method and time is disclosed to public.

There are no privileges in the distribution of dividend. Moreover, 24<sup>th</sup> Article of the Main Contract states: "Existing shares will get dividends equally without the principle of per diem deduction".

According to the legal records of the company the net profit for the period between January 1<sup>st</sup> 2013 and December 31<sup>st</sup> 2013 was TL 223.948.000. Net distributable dividend – donations and fund revenue in accordance with KVK 5/e added - was TL 240.740.472. Board's suggestion to distribute TL 220.000.000 of dividend was discussed and accepted at the general assembly dated 27.03.2014. Dividend distribution took place on 24.04.2014.

In this subsection **Doğuş Otomotiv** has achieved very good compliance with the principles.

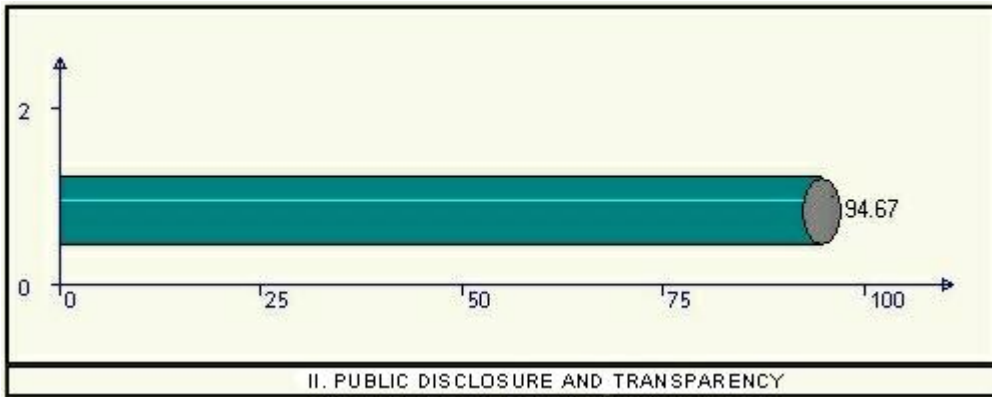
#### **g. Transfer of Shares**

According to Article 7 of company's main contract;

"Transfer of company shares is subject to Turkish Commercial Law, Capital Market Law and related regulations. "

There are no regulations in the Main Articles that restrict transfer of shares. **Doğuş Otomotiv's** practices in this subsection are fully compliant with the principles.

## B. PUBLIC DISCLOSURE AND TRANSPARENCY



### Overview

- ✓ **Disclosure policies have been prepared in detail, presented to the general assembly and announced to the public in electronic environment.**
- ✓ **The corporate internet website is being used effectively as a tool to update and enlighten the public within the context of the principles.**
- ✓ **Information in the website has also been prepared in English.**
- ✓ **Ultimate majority real person shareholders of the company are disclosed to public.**

As for this section, the Company has been assessed by **88** different criteria under the headings of **Corporate Internet Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **94,67**.

**Doğuş Otomotiv** fulfills its public announcements under its Public Disclosures Policies developed by the board and shared with public.

The public disclosure policy contains what to be disclosed to public in addition to those required by the legislation, how, in what frequency and by which channels such data will be disclosed to public, the method to be used to respond to questions directed to the company. Principles about the disclosure of

information intended for future is in the disclosure policy. In the case of such a disclosure to public, it has been observed that assumptions and hypothetical data are also disclosed, and information doesn't contain exaggerated predictions. Furthermore, it's in line with company's financial situation and results.

The persons who have the responsibility for public disclosures and the signatory authority in the company are Dr. Berk Çağdaş (CFO), Yeşim Yalçın (Financial Affairs Director), Kerem Talih (Finance and Administrative Director) and Engin Kaya (General Accounting Manager). These directors are assigned to monitor issues about public disclosure.

#### **a. Corporate Internet Website**

The corporate internet website ([www.dogusotomotiv.com.tr](http://www.dogusotomotiv.com.tr)) serves as an active and effective platform for public disclosure and its coverage is updated continuously. The information on the corporate internet website is consistent with announcements made pursuant to the relevant regulation and doesn't contain conflicting and missing information.

The corporate internet website covers commercial registry details, latest shareholding and management structure, dates and numbers of commercial registry newspapers where changes were published

along with the final text of company's Articles of Association, final text of company's Articles of Association, special case statements, financial reports, annual reports, agenda of the general assemblies, lists of attendees, proceedings of the assemblies, the specimen Proxy, internal directive, dividend policy, disclosure policy, remuneration and compensation policy, donations and grants policy, corporate social responsibility policies, human resources policies, ethical rules developed by the Company and information requests, questions and notifications and answers given under frequently-asked questions title in addition to the coverage of mandatory disclosure pursuant to the legislation.

Shareholding structure were disclosed to the public, after eliminating indirect and mutual participation relationships, including names, share amounts, ratios and privileges of real person shareholders with more than 5 % of shares.

The information on the website is also being published in English for international investors and partners to utilize.

In accordance with the capital market regulations financial chart notifications were disclosed on Public Disclosure Platform in Turkish and English simultaneously. In order to help people to make decisions, English text is summarized in a brief, correct, complete, direct, comprehensible and sufficient manner and in consistency with the Turkish text.

In this subsection **Doğuş Otomotiv** has achieved very good level compliance with the principles.

#### ***b. Annual Report***

It is clear that board of directors has prepared the annual report in such a detail that it gives public access to sufficient information about company's activities. Annual reports of the last five years are being shared with the shareholders and the public in electronic environment.

The content of annual reports comprises;

- Résumés and tenures of board members and senior managers,
- Information about the sector that company operates in and about its position within the sector,
- Information about the company's financial resources, qualifications and amounts of its issued capital market tools,
- Changes made on the articles of association during the period and their reasons,
- Report on compliance to corporate governance principles,
- Report of independent auditor on the annual report.

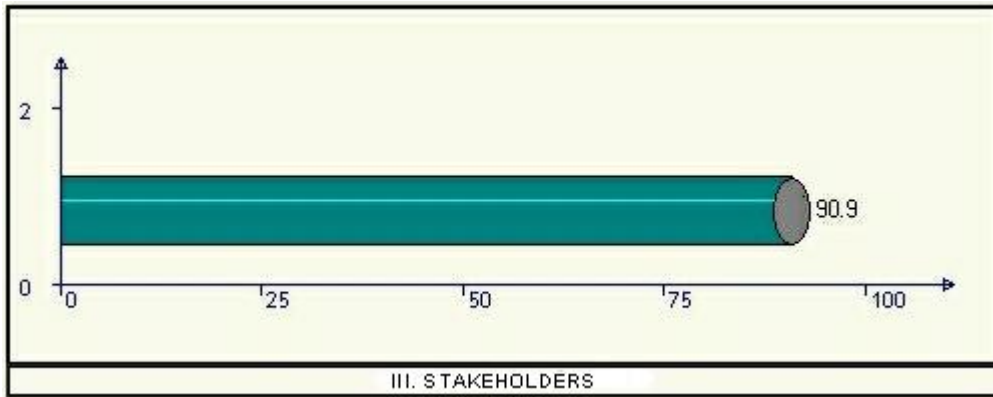
In addition to topics quoted in regulations and other parts of corporate governance principles, annual reports also include information on;

- Board members' and managers' ongoing jobs outside the company,
- Declaration of independent board members on their independence,
- Members of subcommittees within the board of directors and meeting frequencies of these subcommittees,
- Changes of regulations, which might significantly affect company operations,
- Important law suits against the company and their possible conclusions.
- Social rights and professional training of employees, as well as other company activities that have social and environmental impacts and corporate social responsibility activities,
- The need for permission by the general assembly for majority shareholders, board members, managers with administrative responsibilities their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in competitive commercial activities.

Having responsibility declarations of board members who are responsible for financial reporting in the annual report will carry the compliance with corporate governance principles to a higher level.



### C. STAKEHOLDERS



#### Overview

- ✓ Ethical Rules have been formed and disclosed through electronic means.
- ✓ There are no regulations that make it difficult for stakeholders to use their rights.
- ✓ Human resources policy and many subjects concerning customers and stakeholders are internally regulated.
- ✓ Remuneration and Compensation Policies have been formed, presented for the approval of the general assembly and disclosed to public via corporate website.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There has been no complaint by employees about discrimination and using rights.
- ✓ The company has developed social responsibility projects and published them on its corporate website.
- ✓ Care is given to confidentiality of information about customers and suppliers on trade secret basis.

- ✓/\* It would be appropriate to add mechanisms or models to the Articles of Association, supporting participation of employees and stakeholders to management.

As for this section, the Company has been assessed by 57 different criteria under the headings of **Company Policy Towards the Stakeholders, Supporting Stakeholders' Participation in Company Management, Company Policy on Human Resources, Relations with the 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 **90.90**.

#### a. Company Policy Towards 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. It is concluded that **Doğuş Otomotiv** protects the stakeholders' rights specified in regulations and mutual agreements.

It is concluded that the company respects the stakeholders' rights, specified in regulations and mutual agreements. The impression is that in case of lack of any regulation, the company respects stakeholders' rights within goodwill rules and company's reputation. It is observed that many internal regulations were prepared to this end.

Remuneration and Compensation Policy towards employees has been prepared, presented to the shareholders at the general assembly and disclosed to public via corporate website.

It is understood that the stakeholders are adequately informed on company policies and procedures to protect their rights. The officials have explained that procedures are formed for stakeholders to convey operations contrary to company's legislations and ethically improper to Corporate Governance, Early Detection of Risk or Audit Committees.

In this subsection **Doğuş Otomotiv** has achieved significant compliance with the principles.

#### **b. Supporting Stakeholders' Participation in Company Management**

It's determined that the company has created many practices for stakeholders to participate company management, to encourage entrepreneurship and creativity. These applications are listed below;

- Platforms have been prepared in the intranet through which the employees can share their requests, suggestions and opinions, in addition to involving them in decision making mechanisms – within the boundaries of their mandates and responsibilities. Employees participate to the management through Suggestion and Reward System. Their suggestions are evaluated by authorized teams and rewarded if they are found worth to reward. Employee Satisfaction Poll includes questions on social, environmental and economic conditions, aiming to find out the expectations of employees. Their answers to these questions are consolidated and published in the Corporate Responsibility Report. The consolidated answers are also regularly presented to top management. Representing all units of the company, Corporate Responsibility Working Group presents the results of its activities regularly to the

Corporate Responsibility Monitoring Council, which is made of members of executive board.

- Customer Satisfaction Polls are regularly conducted by an independent company. Customer requests and opinions received through polls are evaluated and updated by authorized departments. With the Recognized Dealer Organizations, which take place every year, the customers are briefed on company's strategy and plans. In parallel to more efficient, more productive and high quality service approach, meetings with stakeholders take place and they play an active role in shaping company policies and decisions. The results of these meetings are evaluated and translated into actions. This mechanism has been internalized as part of the participation process.

These models that support employees' participation to company management are currently being implemented; however it would be appropriate to develop them and put them in the Main Contract and internal regulations.

#### **c. Company Policy on Human Resources**

Procedures on recruitment, working conditions, register files, disciplinary practices, power and commitment of employees, remuneration, health rights, leave rights, promotion, task alteration and dismissal, death, resignation, retirement and education has been developed and our impression is that the company sticks to these policies in practice.

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

Performance and reward criteria have been established and disclosed to employees, in determination of benefits provided to employees the mentioned criteria is followed.

It has been seen that the company develops education policies to increase knowledge, capability and experience of the employees and implements programs in accordance with these policies.

At every change of company's policies, vision and plans, the HR Department organizes Communication Meetings where HR processes are shared with employees in detail. All employees of the company can participate to these meetings.

The company's organization chart has been formed according to working conditions and units and number and qualification of employees for these units have been developed with written internal regulations.

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

The officials told us that regulations for employees were regularly updated and related employees were informed.

Employee stock-options schemes are not developed.

There is no restriction on the freedom of founding association after taking permission.

Employees are not members of any trade-union.

In this subsection **Doğuş Otomotiv** has achieved a rather good level of compliance to corporate governance principles.

#### ***d. Relations with Customers and Suppliers***

Information and documents obtained from customers and suppliers during the activities are kept confidential within the scope of

trade secret security not to be reached by unrelated individuals.

Applications about suppliers and outsourced services are prepared and their standards are determined.

The company has founded a CRM (Customer Relations Management) Unit, under the Strategic Marketing and Corporate Communication Directorship, in order to manage customer satisfaction, to conduct activities to increase loyalty / profitability of customers, to get closer to customers and to monitor and record the relations.

Alongside ensuring customer satisfaction, the department also records and solves customers' complaints and requests, which reaches company through phone, facsimile, e-mail, letter, social media (facebook, twitter, etc.) and online support channels of the internet website, and inform customers on their issues rapidly in order to increase customer loyalty. Job description of this department includes to keep customer data in a true, current and accessible fashion, to conduct internal and outside customer satisfaction polls (CSS, CSI, DSS) in order to improve processes and meeting survey requests of brands, to measure results, to evaluate and report, and to ensure that customer – focused business approach becomes part of corporate culture. The same unit also manages "CRM Carnet", which was designed to measure the effect of CRM operations on brand performance.

Thanks to "Turkuaz" project, which can be measured and supervised, the company provides access to information (within the legal boundaries) through internet for all its partners, dealers and licensed service providers. Thus it conducts its business flow over one platform. Privacy of customer's data and methods to share it are regulated by neat and detailed rules and access of unrelated people to these data is blocked.

As it is mentioned in previous subsection, customer expectations are regularly



researched by Customer Satisfaction Survey (CSS) and dealers' expectation and satisfaction by Dealer Satisfaction Survey (DSS). Action is taken in parallel to the data received from these surveys.

The company uses its own standards in recruiting suppliers. The supplier is expected to meet many conditions including having ISO 9000 TSE quality standard, having approval certificate of the producer, being supervised by Doğuş Otomotiv and having long term work experience. The list of suppliers is reviewed and renewed at least once a year in accordance with these criteria and "Supplier Quality Supervision Question List".

**Doğuş Otomotiv** has achieved a very good level of compliance to principles.

#### ***e. Ethical Rules and Social Responsibility***

Business Ethic Rules required to be complied by all employees are laid down, approved by the General Assembly and it appears on the company website. On close examination it is seen that the ethical rules are very comprehensive and compliant with the principles. The procedure to be applied in case of an unethical behaviour by employees is set forth in staff regulations, work contracts and ethical rules.

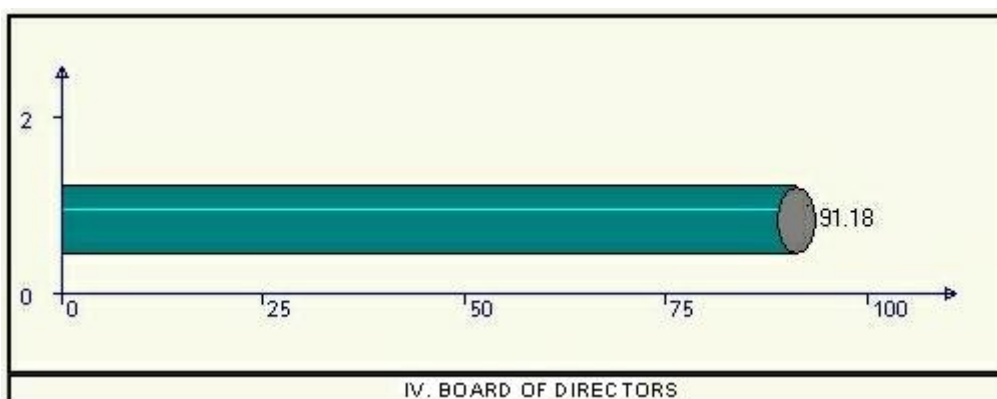
Our examination showed that there has been no lawsuit against the partnership on the issue corporate governance practices. Our finding has also been confirmed by company lawyers.

As a company conscious of corporate citizenship, Doğuş Otomotiv expresses its belief in its responsibilities for employees, shareholders, customers, partners, society and all stakeholders and for their common living spaces. To this end, the company signed UN Global Compact" in March 2010, declaring its determination, as Doğuş Otomotiv, to join the struggle to support 10 principles, developed on the subjects like human rights, labor conditions, environmental protection and fight against corruption.

DOĞUŞ Otomotiv has determined its Corporate Social Responsibility Policies and disclosed them to public. These policies have been prepared under six headings and translated them into detailed application codes. These headings are; Economic Responsibility, Environment (water, waste, energy, logistics and environment friendly products), Employees and Good Working Environment, Human Rights, Product and Service Responsibility and Social Participation. It has been disclosing to public the actions taken under these headings through annual reports of Corporate Social Responsibility.

Company's practices in this subsection are at a very good level.

## D. BOARD OF DIRECTORS



### Overview

- ✓ Company's strategic targets, human and financial sources it requires are determined by the Board of Directors.
- ✓ The posts of Chairman and CEO are carried out by separate individuals and there isn't any person with solely unlimited authority in the company.
- ✓ The number of Board Members is adequate for them to work productively and creatively.
- ✓ Majority of Board Members are non-executives.
- ✓ 3 of non-executive Board Members are independent members.
- ✓ Every Board Member has one vote.
- ✓ There isn't any loan/credit involvement between Board Members and company.
- ✓ Corporate Governance, Audit, Early Detection of Risk and Remuneration Committees are established and their working principles are determined.
- ✓ Manager Liability Insurance amounting to over 25% of the capital against defects of Board Members duties have been made.

✗ No targeted ratio and policy have been prepared for women members of the board, for a ratio no less than 25 %.

✓/✗ Although there is the practice of self-criticism and performance evaluation for Board Members, there is no practice of rewarding or sacking them in the light of these assessments

✓/✗ It would be appropriate to state remuneration and other interests provided for managers with administrative responsibilities in the annual report on individual basis.

In this section, the Company has been assessed by **147** different criteria under the headings of **Function of the Board, Operating Principles of the Board, Structure of the Board, Mode of Board Meetings, Committees formed within the Board and Financial Benefits Provided to the Directors and the Top Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **91.18**.

#### **a. Function of the Board of Directors**

By the strategic decisions it will take, the Board manages and represents the company keeping the risk, growth and return in balance while paying attention to company's long term interest, under a reasonable and prudent risk management approach. In this sense, the Board has described the corporate strategic objectives, and determined the required human and financial resources. The Board monitors company activities to be suitable to regulations, main articles, internal procedures and company policies and audits management performance.

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

In this subsection, **Doğuş Otomotiv** has achieved a high level compliance with the principles.

#### **b. Operating Principles of the Board**

Board of Directors conducts its activities in an open, accountable, fair and responsible fashion.

The distribution of responsibilities among board members, as well as duties and powers of members are disclosed to public in the annual report.

The Board has developed internal control systems including risk management and IT systems to minimize effects of risk and processes on shareholders and stakeholders. It is found that the Board reviews at least once a year the effectiveness of risk management and internal control systems.

None of company's staff has the authority to decide solely and unrestricted. Posts of Chairman of the Board and CEO are hold by different individuals.

Our impression is that the Board 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 is in close cooperation with the Corporate Governance Committee and Investors' Relations Department.

It's observed that the Board is in continuous and effective cooperation with managers while performing its duties and responsibilities and it is learned that top managers attend Board meetings whenever necessary.

Manager Liability Insurance amounting to over 25% of the capital against defects of Board Members duties has been made. However it has not been announced in Public Disclosure Platform.

In this subsection, the company has achieved a rather good level compliance with the Corporate Governance Principles.

#### **c. Structure of the Board**

Company's Board is formed with nine (9) members one being the Chairman. The requirement of at least 5 members to form the Board has been met and the number of Board Members found sufficient to serve effectively and constructively and to form and arrange organization of committees.

The Board comprises executive and non-executive directors, and the principle that majority of Directors should be non-executive members is respected. One (1) of the Directors is executive and eight (8) of them are non-executives. On the other hand three (3) of non-executive directors are independent, satisfying the independence criteria laid down by Principles. The independent Directors have presented their written representations that they are independent under the legislation, the Articles and the criteria laid down by the Principles to the board.

There are two (2) woman directors in the Board. It will 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 monitor annually the progress on these targets.

In this subsection, the company has achieved a good level compliance with the principles.

#### **d. Mode of Board Meetings**

The Board comes together frequent enough to implement its duties efficiently. Number of Board meetings, as well as required majority to convene and to take decisions is written in the Articles of Association. It has been determined that board meetings take place regularly at least once a month. Upon examination of decision book it was seen that the board convened 12 times in 2013 and 10 times in 2014, as of October. It was also learned that there were 2 planned meetings until the yearend. Each member has one voting right and no veto right at the board. Board meetings take place in accordance with the arrangements done on Board meetings in internal regulations and the Main Articles. Meeting procedures are put into written form through internal regulations.

In the “Working Principles and Procedures of the Board of Directors”;

- The administrative structure, mandate and responsibilities of the board are defined.
- Invitations for board members to meetings and preparation procedures are defined.
- Annual meeting frequency and planning of meetings are stated.
- Method of preparing meeting agenda is determined.
- Flow process of information and documents related to the topics of the agenda to members are defined.
- It is stated that each member has one vote.
- The responsibility of board members to inform each other and of managers to inform the board is underlined.
- Distribution of responsibilities in the Board and committees are defined.

- Performance evaluation and rewarding of the board is defined. Many more topics mentioned in the principles are decreed including acting in accordance with this regulation in practice.

Secretariat of the Board is undertaken by CEO Office Manager Bakiye ARABACIOĞLU.

In this subsection, **Doğuş Otomotiv** has achieved a rather good level of compliance with the Corporate Governance Principles.

#### **e. Committees formed within the Board**

In order for the Board to fulfill its duties and responsibilities soundly, Auditing Committee, Corporate Governance Committee, Early Detection of Risk and Remuneration Committees are formed. A Separate Nomination Committee hasn't been established because of the Board's structure. Duties of this committee are carried out by Remuneration Committee.

Working rules, mandates and membership structures for all three committees have been determined in written documents and these documents were disclosed to public in the electronic environment after being approved by the general assembly.

All members of the Audit Committee and minimum the Chairman of other committees are appointed from independent members. The General Manager has no assignment in any committee.

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

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

**Corporate Governance Committee;** establishes whether the corporate governance principles are implemented in the Company, as well as the grounds for non-implementation, if applicable; conflicts of interest, if any, arising from failure to fully comply with these principles, and discloses to

public through Corporate Governance Compliance Report. The Committee consists of four (4) members. Committee Chairman is an independent member of the Board, while two (2) are non – executive Board members. One member is appointed as Investor Relations Unit Manager and he is also appointed as a member of Corporate Governance Committee In accordance with CMB Corporate Governance Notification number II.17-1. The change in the Committee was disclosed to public with a special case statement dated 30.06.2014.

Its structure complies with the principle which requires that all of the members – if there are only two – or majority of members – if there are more than two – should consist of non-executive Board Directors.

The committee convened four (4) times in 2013 five (5) times in 2014 (on February 18, April 29, May 28, September 3 and November 5). Secretariat of the committee is undertaken by Financial Affairs Director Yeşim YALÇIN.

**The Audit Committee** consists of two (2) independent members. It monitors performance and effectiveness of company's accounting system, public disclosure of financial information, independent audit and working and efficiency of the internal control system. The selection of independent audit company and supervision of its work at every stage is implemented by the audit committee. The committee reassesses company's processes and activities on subjects like accounting system, financial reporting, public disclosure, internal control and audit system, independent external audit, law, regulation and compliance with ethical principles. If it deems necessary, the committee makes suggestions to the board.

Internal Audit Unit, reporting to the Board of Directors through Audit Committee, audits the effectiveness and performance of internal control and risk management systems within the scope of annual audit plan according to risk managements. On the other hand, it's

determined that internal control mechanisms had been established for all levels of personnel to implement and follow in order to ensure that company activities are carried out in accordance with current legislation and within the framework determined by the Board of Directors and that the integrity and reliability of accounting and reporting systems are ensured.

Under the management of Çağrı DUMAN, Internal Audit Directorship reports directly to the Audit Committee. The unit conducted 18 audits in 2013. It presented 3 reports and made 8 presentations for the Audit Committee in the same year. It is learned that it conducted 3 audits and presented 3 reports to the Audit Committee in 2014 as of September.

Audit Committee convened eight (8) times in 2013 and six (6) times in 2014 as of September. The last meeting took place on 03.09.2014 together with Early Detection of Risk Committee. With the joint meeting it was aimed to provide coordination between risk and audit activities. Three (3) written statements were sent to the Board about the results of these meetings.

Secretariat of the Audit Committee is undertaken by Çağrı DUMAN, Internal Audit Manager.

**Early Detection of Risk Committee** consists of four (4) members. Its chairman is independent. Two members are non – executive Board Members. One member is a professional executive, appointed from outside the Board.

Organization of the Early Detection of Risk Committee was separated from Corporate Governance Committee in April 2013 and working principles for the committee were determined.

Committee convened three (3) times in 2013 and presented written report to the Board. It made six (6) meetings in 2014 (on February 18, April 29, May 28, September 3, November

5 and December 8). The meeting on September 3 took place jointly with the Audit Committee. The joint meeting is interpreted as the sensitivity of the company on the subjects of early detection of risks and audit. It is also seen as an indicator of internalization of principles in committee operations.

Secretariat of the committee is undertaken by Financial Affairs Director Yeşim YALÇIN.

The structure of **Remuneration Committee** and Candidate Nomination Committee were separated from the Corporate Governance Committee in April 2013. Remuneration Committee consists of three (3) members. Its chairman is an independent member. Committee held three (3) meetings in 2013 and two (2) in 2014. The results of meetings were reported to the Board.

Secretariat of the committee is undertaken by HR Director Ela KULUNYAR.

The committees comprises following members:

#### Audit Committee

Name / Surname	
Ferruh Eker	Chairman (Independent)
R. Yılmaz Argüden	Member (Independent)

#### Corporate Governance Committee

Name / Surname	
R. Yılmaz Argüden	Chairman (Independent)
Aclan Acar	Member (Non - Executive)
E.Nevzat Öztangut	Member (Non - Executive)
Hasan H. Güzelöz	Chairman of Board Advisor and Chief Legal Advisor

#### Early Detection of Risk Committee

Name / Surname	
R. Yılmaz Argüden	Chairman (Independent)
Aclan Acar	Member (Non - Executive)
H. Murat Aka	Member (Non - Executive)
Hasan H. Güzelöz	Chairman of Board Advisor and Chief Legal Advisor

#### Remuneration Committee

Name / Surname	
Emine Gülden Özgül	Chairman (Independent)
Aclan Acar	Member (Non - Executive)
S. Kadir Tuğtekin	Member (Non - Executive)

In this subsection the company has generally achieved rather good level of compliance with the Corporate Governance Principles.

#### *f. Financial Benefits Provided to the Directors and the Top Executives*

Guidelines on compensation of the Directors and top executives have been presented for the approval of the general assembly and disclosed to public in the electronic environment.

It is observed that actions have been taken in compliance with the principle that the stock-options or payment plans based on the corporate performance are not used for remuneration of the independent directors. The emoluments of independent directors are sufficient to protect their independency.

It is 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.

The performance of Board Members is evaluated on objective criteria, getting professional help. Company policies are found rather successful in this area. However there is no practice of rewarding or sacking board members by taking evaluation results into consideration yet.

On the other hand; remuneration and other benefits that are provided for board members and top executives are explained in the annual report. However it would be appropriate to explain this information on individual basis as required.



**5. 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 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.</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>



GRADE	DEFINITIONS
<p style="text-align: center;"><b>4-5,9</b></p>	<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>
<p style="text-align: center;"><b>&lt; 4</b></p>	<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>