



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



***Garanti Emeklilik ve Hayat A.Ş.***

28<sup>th</sup> December 2018

Validity Period 28.12.2018-28.12.2019

## LIMITATIONS

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

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

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 69 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.

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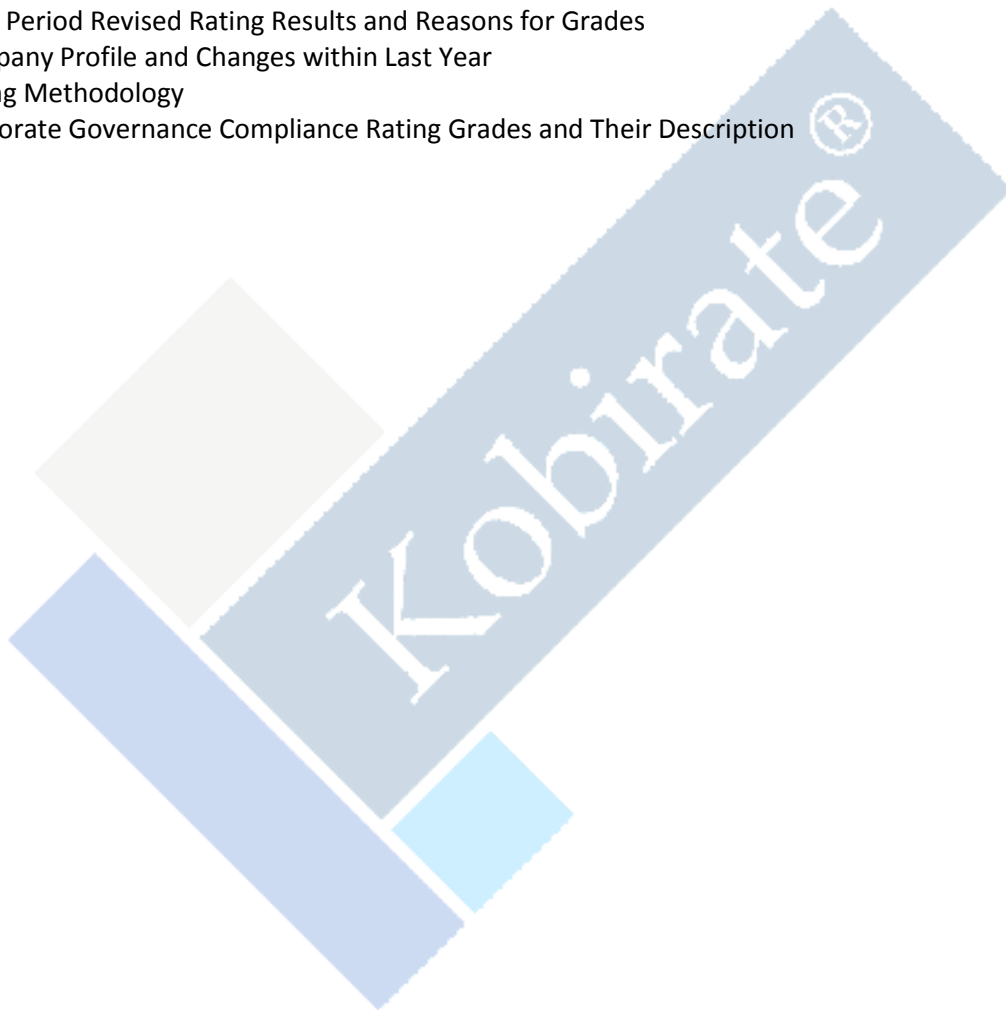
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

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**GARANTİ EMEKLİLİK VE HAYAT  
ANONİM ŞİRKETİ**

UNQUOTED COMPANY

CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE

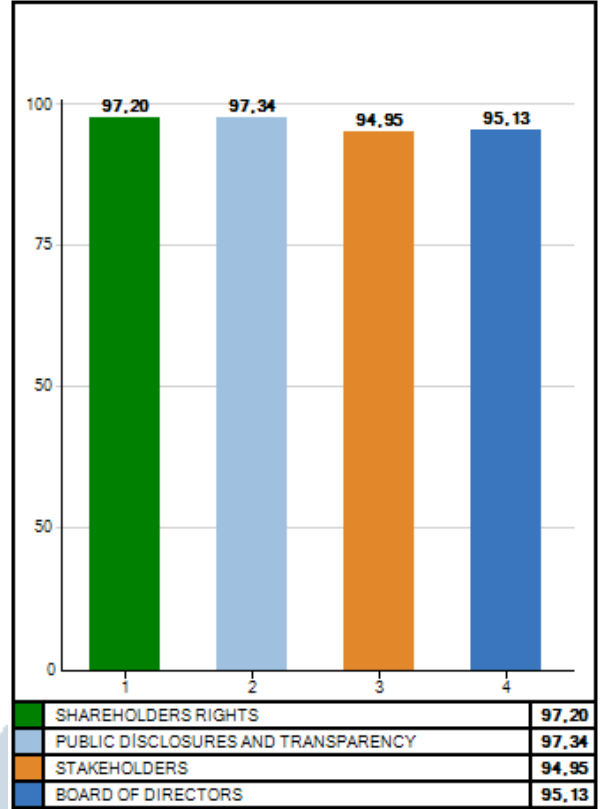
**9.62**

**Kobirate A.Ş. Contact:**

Burhan TAŞTAN (216) 3305620 Pbx

[burhantastan@kobirate.com.tr](mailto:burhantastan@kobirate.com.tr)

[www.kobirate.com.tr](http://www.kobirate.com.tr)



**1. SIXTH PERIOD REVISED RATING RESULTS AND REASONS FOR GRADES**

The process of rating of compliance of **GARANTİ EMEKLİLİK VE HAYAT A.Ş** with the Corporate Governance Principles is concluded through onsite examinations of the documents, interviews held with executives and persons involved, information open to public and by other detailed examinations.

The rating is based on the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.S.

Methodology and the rating process have been prepared by taking into account CMB's Corporate Governance Communiqué No II-17.1, which was published on the Official Gazette dated 03.01.2014, numbered 28871, Treasury's Notification on Corporate Governance Principles in Insurance and Assurance companies and Pension Funds, published on 27.04.2011, numbered 2011 / 8.

The Company has been rated through 350 criteria described by the methodology of

Kobirate A.S., developed for "Unquoted Companies".

The rating has been conducted under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors and the Corporate Governance Compliance Rating Grade of **Garanti Emeklilik ve Hayat A.Ş.** for the period between 28.12.2018 and 28.12.2019 has been determined as **9.62**.

This result signifies that the Company has achieved considerable compliance with CMB's Corporate Governance Principles. Possible risks for the company have been determined and are under control. Public disclosure activities and transparency are at a high level. Rights of shareholders and stakeholders are treated fairly. The structure and mode of operation of Board of Directors are in compliance with corporate governance principles.

In view of rating process under main headings in brief;

The grade of **GARANTİ EMEKLİLİK** in the section of **SHAREHOLDERS** has been revised as **97.20**. The company has achieved very good level of compliance with the CMB Corporate Governance Principles in this section.

Relations with Shareholders are conducted by of Legal and Shareholder Relations Department, which reports Assistant General Manager. This Department handles the subjects of structuring Company's transactions and products in compliance with laws, monitoring changes in regulations and judicial practices, relations with officials and shareholders, monitoring Board of Directors and General Assembly Processes.

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

Disclosures for shareholders and public are done within the scope of Company's Disclosure Policy. This policy is accessible on its corporate website.

General Assembly meeting for activities of 2017 was held on 05.04.2017, at the head office, in accordance with the Articles of Association with 100 % participation of shareholders. During the rating period there has been no General Assembly decision that was not implemented.

The Company has not been privately audited during the operational period and no practices have been seen that make private audits difficult.

Main reasons for grade increase in this section;

- Minority rights have been regulated in Articles of Association, giving the right to those with less than 1 / 20 of the capital,

- Change has been made in Articles of Association to add an item enabling the Company to make donations.

Changes in Articles 8, 9 and 10 were made at the general assembly meeting on 05.04.2018, after getting approvals of Treasury and Ministry of Commerce for changing them.

**The Company** has gained the grade of **97.34** in the section of **PUBLIC DISCLOSURE AND TRANSPARENCY**.

It has been determined that Company's corporate website [www.garantiemeklilik.com.tr](http://www.garantiemeklilik.com.tr) and annual report are used effectively as means for public disclosure in accordance with the criteria described by the principles.

It is possible to access current information required by the principles, as well as complete access to additional information required by Article 13 of Information on Insurance Contracts Regulation, which was published by the official gazette dated 28.10.2018, numbered 26684, at the corporate website. This has been deemed positive.

2017 independent audit has been conducted by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. There were no situations in the report that the auditor avoided expressing opinion, expressed conditional opinion or withheld signature. Company officials have told us that no developments took place between the Company and independent audit company and its auditors that might damage independence and that there has been no legal conflict.

2017 Annual Report of the Company has been found in compliance with the principles and the fact that Garanti Emeklilik ve Hayat A.Ş. has been publishing its Annual Reports digitally since 2015 has been deemed positive.

**GARANTİ EMEKLİLİK VE HAYAT A.Ş.** has achieved very good level of compliance with

the principles in the section of public disclosure and transparency.

In the section of **STAKEHOLDERS**, Company's has been confirmed as **94.95**.

Stakeholders are employees, suppliers, customers and public institutions that have an interest in attainment of company's objectives or in its operations. The Company has put stakeholders' rights - regulated by provisions and contracts - under protection in its transactions and operations.

The stakeholders are adequately informed on Company policies and procedures, related to the protection of their rights by using corporate website as an additional tool.

Training programs are prepared in accordance with employees educational needs and these programs are announced to the employees to ensure their participation.

Company's Ethics and Integrity Principles cover Garanti Bank's subsidiaries and affiliated companies. Company's Ethics and Integrity Principles, which have been put into operation in 2015, have been prepared with an exemplary integrated approach.

Company's Social Responsibility projects are conducted on a continuous base.

The Company has achieved significant compliance with CMB's Corporate Governance Principles in this section.

In the section of **BOARD OF DIRECTORS**, Company's grade has been revised as **95.13**. The Company has achieved significant compliance with CMB's Corporate Governance Principles in this section.

The Board of Directors has described corporate strategic objectives and disclosed them to public. Nobody in the company has unlimited authority to make decisions alone. The positions of Chairman of the Board and General Manager are held by separate individuals. The Board comprises 9 (nine)

persons. There are 1 (one) executive and 8 (eight) non – executive members.

The Board of Directors comprises all non – executive members, except the General Manager, there are two women members in the Board and all committees that the Board is required to establish by corporate governance principles are active and reporting. These have all been deemed positive.

It has been observed that the Board of Directors convenes in an appropriate frequency and the meetings take place in accordance with relevant laws and regulations, as well as the Articles of Association. Attendance figures and numbers of decisions are published in the annual report.

Garanti Emeklilik ve Hayat A.Ş. Board of Directors held 41 meetings in 2017. 5 of these meetings were held with participation of 5 members, 2 with 6 members, 17 with 7 members, 8 with 8 members and 6 with 9 members.

Manager Liability Insurance against defects of Board Members and top level managers in the course of carrying out their duties has been made, meeting conditions of relevant Communiqué.

According to a document sent by Company's Lgal Department on 06.12.2018, there are no law suits against members of Board due to Company transactions.

It has been observed that the Audit, Corporate Governance, Early Risk Detection and Remuneration committees, specified by the Principles, have been established and their working principles prepared as written documents.

In 2017 Corporate Governance Committee held 2, Remuneration Committee held 3, Audit Committee held 3 and Early Risk Detection Committee held 2 meetings. All Committee members attended the meetings.

These committees reported meeting results and their recommendations about the issues discussed to the Board of Directors in writing.



## 2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

### a. Company Profile



<b>Company Name</b>	: Garanti Emeklilik ve Hayat A.Ş.
<b>Company Address</b>	: Mete Cad. No: 30 34437 Taksim İSTANBUL
<b>Company Phone</b>	: (0212) 334 70 00
<b>Company Facsimile</b>	: (0212) 334 63 00
<b>E-Mail</b>	: <a href="mailto:GEMusteriHizmetleri@garantiemeklilik.com.tr">GEMusteriHizmetleri@garantiemeklilik.com.tr</a>
<b>Company Website</b>	: <a href="http://www.garantiemeklilik.com.tr">www.garantiemeklilik.com.tr</a>
<b>Date of Incorporation</b>	: 1992
<b>Registered Number</b>	: 288647
<b>Paid in Capital</b>	: 50.000.000.-TL
<b>Line of Business</b>	: Preparing contracts for private pension and life insurance, operating in related areas.
<b>Company's Sector</b>	: Insurance and Private Pension
<b>Supervisory Authority</b>	: Capital Market Board (CMB), Insurance Supervision Board (ISB)

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

Ahmet KARAMAN

Assistant General Manager

[AhmetKaram@garantiemeklilik.com.tr](mailto:AhmetKaram@garantiemeklilik.com.tr)

(0212) 334 70 00



## Short History of the Company

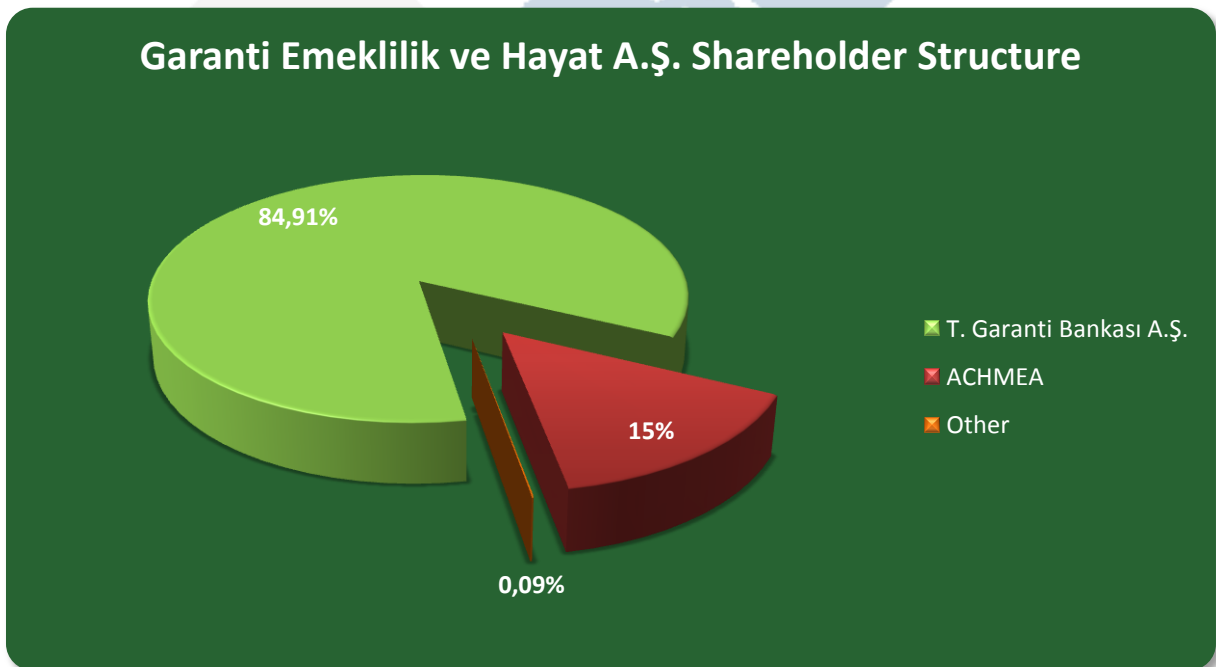
The company was established as “AGF Garanti Hayat Sigorta Anonim Şirketi” in July 24<sup>th</sup> 1992, with an initial capital of TL 10.000. In May 18, 1999, Company’s title was changed as “Garanti Hayat Sigorta Anonim Şirketi”.

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

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

Thanks to the synergy created through collaboration with its main shareholder Garanti Bank, the company became one of the pioneers in the sector in a very short span of time. It provides services through 13 regional directorate, 764 employees and about 922 Garanti Bank branches as of 06.12.2018.

### Shareholder Structure (As of report date)



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

Shareholder Name	Share(TL)	Share (%)
T. Garanti Bankası A.Ş.	42.456.629.00	84,913
ACHMEA	7.500.000.00	15,000
Other	43.371.00	0,086
<b>Total</b>	<b>50.000.000</b>	<b>100,00</b>

## MAIN SHAREHOLDERS OF THE COMPANY

### GARANTI BANKASI A.Ş

Founded in 1946 in Ankara, Garanti Bank is **Turkey's second biggest private bank** as of June 30, 2018 with its consolidated asset size of over TRY 385 billion.

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

As of June 30, 2018, Garanti Bank had 922 branches in Turkey, 8 branches (7 in Cyprus and 1 in Malta) and three offices abroad (London, Dusseldorf and Shanghai). The Bank also has a **multichannel distribution network**, comprising 5,055 ATM's, mobile, internet and social banking platforms and a call center. With over 18,522 employees, Garanti provides services for 15.8 million customers.

Main shareholder of Garanti Bank is Banco Bilbao Vizcaya Argentaria S.A. (BBVA), with 49.85 % of shares. Garanti Bank's Shares are listed in Turkey, Britain and USA. Its free float rate in BIST is around 50.06 % as of 30.06.2018.

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

### ACHMEA

With an experience of 200 years, Achmea is a leading international insurance group. With its head office in Netherlands, Achmea has over 18,000 employees in 7 countries. The Company's line of business is insurance and it is among the leading companies of Europe. Achmea has a rich portfolio of services in insurance and financial services including pension, health, asset management and banking insurance products.

Active in all areas and distribution channels of insurance, Achmea is preferred by every one person out of two in its domestic market, Netherlands. Achmea is the second biggest insurance company in Greece and has strong market positions in Turkey, Slovakia, Ireland, Romania and Australia.

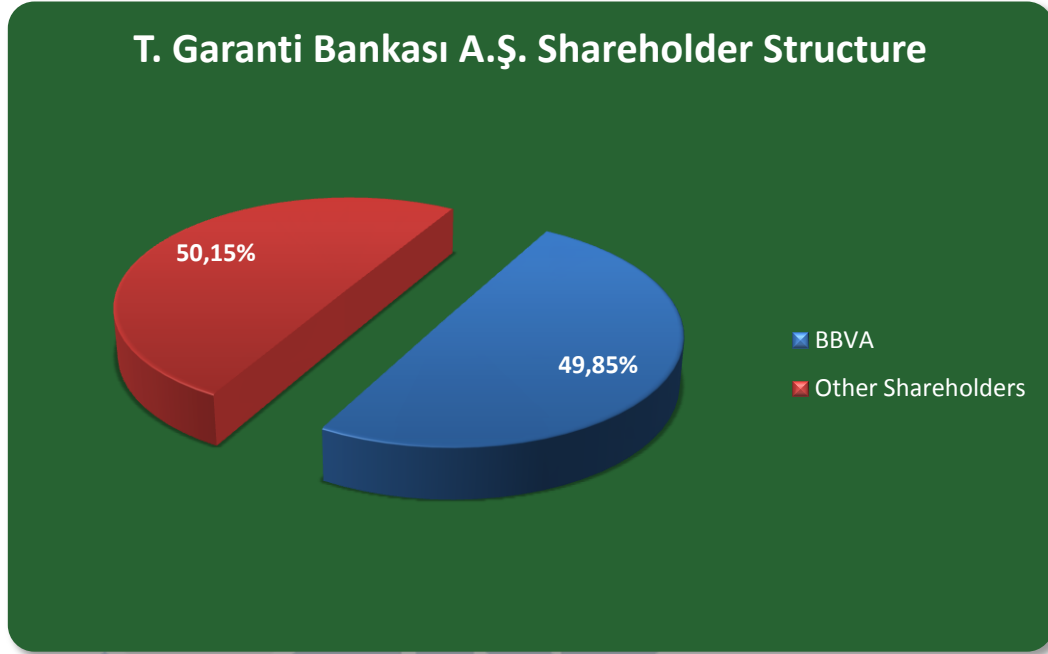
Company's gross signed premium production is EUR 20 billion and its total equity reaches EUR 9.7 billion.

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

### Shareholder Structure of Garanti Bankası A.Ş. (Main Shareholder)

Shareholder Name	Share	Share (%)
BBVA (BANCO BILBAO VIZCAYA ARGENTARIA, S.A.)	2.093.700.000.00	49,85
OTHER SHAREHOLDERS	2.106.300.000.00	50,15
GENERAL TOTAL	4.200.000.000,00	100

Source: www.garanti.com.tr



Source: www.garanti.com.tr

### Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
Ali Fuat ERBİL	Chairman of Board of Directors	Non - Executive
Didem BAŞER	Deputy Chairman of Board of Dir.	Non - Executive
Maria de la Paloma Piqueras HERNANDEZ	Member of Board of Directors	Non - Executive
Javier Bernal DÍONÍS	Member of Board of Directors	Non - Executive
Johannes Antonius NĪJSEN	Member of Board of Directors	Non - Executive
M. Cüneyt SEZGİN	Member of Board of Directors	Non - Executive
Cemal ONARAN	Member of Board of Directors	Non - Executive
Mahmut AKTEN	Member of Board of Directors	Non - Executive
Burak Ali GÖÇER	Member of Board of Directors and Gen. Man.	Executive

The Board held 24 meetings with full attendance and took 47 decisions between 01.01.2018 and 30.11.2018.

## COMMITTEES FORMED WITHIN THE BOARD

### CORPORATE GOVERNANCE COMMITTEE

Name Surname	Position
Dr. M. Cüneyt SEZGİN	Member (Non - Executive)
Cemal ONARAN	Member (Non – Executive)

Corporate Governance Committee held 2 meetings between 01.01.2018 and 30.11.2018.

### AUDIT COMMITTEE

Name Surname	Position
Dr. M. Cüneyt SEZGİN	Member (Non - Executive)
Cemal ONARAN	Member (Non – Executive)

Audit Committee held 3 meetings between 01.01.2018 and 30.11.2018.

### REMUNERATION COMMITTEE

Name Surname	Position
Ali Fuat ERBİL	Member (Non - Executive)
Didem BAŞER	Member (Non – Executive)

### EARLY RISK DETECTION COMMITTEE

Name Surname	Position
Dr. M. Cüneyt SEZGİN	Member (Non - Executive)
Cemal ONARAN	Member (Non – Executive)

### Top Management

Name / Surname	Title
<b>Burak Ali GÖÇER</b>	General Manager
<b>K. Çağlayan BAKAÇHAN</b>	Assistant General Manager (HR, Purchasing and Administrative Affairs, Customer Services and Call Center, Product Development & Actueria, Operation, Legal and Shareholder Relations.
<b>Ahmet KARAMAN</b>	Assistant General Manager (Fund Management and Collection, Budget and Management Reporting and Financial Affairs )
<b>E. Yasemen KÖNE</b>	Assistant General Manager (Organization and Process Management, Cusooömer Relations Management and Marketing, Project Management, Corporate Communication, Digital Marketing and Strategic Planning)
<b>Eda SEVKAR</b>	Assistant General Manager (Private, Corporate and Central Sales)

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

	2016/12	2017/12	Change %
Current Assets	11.342.103.373.	14.202.835.499.	25,2
Non –Current Assets	45.643.676.	52.505.586.	15
<b>Total Assets</b>	<b>11.387.747.049</b>	<b>14.255.341.085.</b>	<b>25,1</b>
Short Term Liabilities	9.861.144.983.	12.324.927.697.	24,9
Long Term Liabilities	213.189.164.	296.547.404.	39,1
Equity	1.313.412.902.	1.633.865.984.	24,4
<b>Total Liabilities</b>	<b>11.387.747.049.</b>	<b>14.225.341.085.</b>	<b>25,1</b>

Source: Garanti Emeklilik ve Hayat A.Ş. 2017 Annual Report

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

	2016/12	2017/12	Change %
General Technical Department Balance	206.902.784.	278.542.445.	34,6
Investment Income	136.649.420.	164.587.616.	20,4
Investment Spending	(30.389.650.)	(35.300.383.)	16,1
<b>Net Profit/Loss</b>	<b>245.772.865.</b>	<b>320.655.002.</b>	<b>30,4</b>

Source: Garanti Emeklilik ve Hayat A.Ş. 2017 Annual Report

**Summary Financial Information of the Company for Last Three Years \***

Financial Indicators	2015(000 TL)	2016(000 TL)	2017(000 TL)
BES Fund Size	7.580.285.	9.523.446.	11.950.399.
Technical Provisions	263.023.	321.451.	409.379.
Paid in Capital	53.084.	53.084.	53.084.
Equity	1.067.885.	1.313.413.	1.633.866.
Total Assets	9.075.123.	11.387.747.	14.255.341.
Life Insurance Premium Production (net)	284.342.	363.010.	449.673.
Technical Income Expense Balance	168.244.	206.903.	278.542.
Non - Technical Income Expense Balance	72.338.	101.120.	128.586.
Profit / Loss Before Tax	240.583.	308.022.	407.128.
Net Profit	190.908	245.773.	320.655.
Return on Assets (%)	2,65	2,70	2,86
Return on Equity (%)	23	23	25

### Company's Private Pension Information for Last Three Years\*

PENSION	2015/12	2016/12	2017/12
Pension Fund Size Mio TL	7.580.28	9.523.446.	11.950.40
Market Share (%)	15,8	15,7	15,1*
Number of Participants	995.416.	1.130.878.	1.196.397*
Market Share in Number of Participants (%)	16,5	17,1	17,3*
Total Pension Contribution Share Mio TL	5.789.90	6.842.86	7.907.08*
Market Share in Total Pension Contribution Share	15,6	15,4	15*

\*Source: 29.12.2017 PMC data

Total assets of Garanti Emeklilik ve Hayat increased by 25.1 % and reached TRY 14.2 billion in 2017. Its equity increased by 24.3 % and became TRY 1,633.8 million. The Company further strengthened its already solid financial structure with these figures. In 2017, it became the most profitable company of its sector – as it has been for the last 5 years – by increasing its net profit after taxes by 30.4 % to TRY 320.6 million.

A major part of Garanti Emeklilik ve Hayat's profit comes from technical profits, which the Company earns in life insurance and private pension sectors. Company's gross technical profit in 2017 was TRY 278.5 million. 68.4 % of TRY 407.1 million profits before tax in 2017 came from technical profits.

While the increase in the number of private pension participants have slowed down in 2017 in the sector, Garanti Emeklilik put out a performance in the opposite direction. Number of new participants increased 5.79 % for Garanti Emeklilik, in comparison to 2016, and reached 65,519.

### Information on Company Activities

The Company conducts its activities within the frame of Insurance Law No 5684 ("Insurance Law"), which was published by the Official Gazette dated 14 June 2007 and numbered 26552, Private Pension Saving and Investment System Law No 4632 (Private Pension Law"), which was published by the Official Gazette dated 7 April 2001 and numbered 4366, and changed by the Law No 6327 as of 1 January 2013, as well as other regulations. As of 30 September 2017, the Company signs policies / contracts in the branches of Life, Accident and Pensions.

As of December 31<sup>st</sup>, 2017 the company had a total of thirty three pension funds. In accordance with Fund Portfolio Management Service Contract signed between the parties, 32 Pension investment funds are run by Garanti Portföy Yönetimi A.Ş. and 1 pension investment fund is run by Deniz Portföy Yönetimi A.Ş.

According to data from Pension Monitoring Center, Garanti Emeklilik's fund volume is **TRY 10,969 million** as of **09.11.2018**. On the same date, Company's total Government Contribution Funds

volume is at the level of TRY **1,685 million**. According to data from Pension Monitoring Center, there are **1,162,765** participants of Company's pension plans.

Data from Pension Monitoring Center shows that as of 09.11.2018, Garanti Emeklilik is the number one Company in the market with a market share of **16.86 %** in terms of number of participants. In terms of fund volume, it has the **3<sup>rd</sup>** place with a market share of **14.49 %**.

Garanti Emeklilik ve Hayat A.Ş. has also 3<sup>rd</sup> place in Automatic Participation with a market share of 11.2 % as of 09.11.2018.

Although the life insurance sector of Turkey can shrink or expand depending on consumer credits, Garanti Emeklilik ve Hayat increases its premium production consistently every year. The Company's net premium production in life branch (registered premium minus reinsurance share) grew 24 % and became TRY 449,763,157.

**b. Changes within Last Year:**

**i. Changes in Articles of Association**

During our rating period Article 8 of Articles of Association has been updated, Article 9, which deals with share buying and selling between shareholders, has been cancelled as its duration has expired and replaced by an article about development and protection of Minority rights. With an addition to Article 10, conditions for donations by the Company have been added to the Articles of Association. The Company received necessary permissions from Treasury and Ministry of Customs and Commerce for changes in the Articles of Association and its latest version has been disclosed to public through corporate website.

**ii. Dividend Distribution**

Company's dividend distribution process takes place as the Board prepares a dividend distribution proposal and present in for the approval of General Assembly (in accordance with Turkish Commercial Law, Tax Regulations and Articles of Association). General Assembly discusses whether or not it will be distributed or how and when it will be distributed and makes a decision. All disclosures are made in time.

According to Article 8 of the agenda of General Assembly meeting on 09.04.2018 to discuss 2017 activities, it was decided not to distribute the net profit of TRY 320,655,002 from 2017 and to transfer it into Extraordinary Reserve.

According to Article 8, it was also decided at the same General Assembly meeting to allocate extraordinary reserves, which are under Equity in Company's 2017 balance sheet, for dividend distribution; to distribute dividend on 19.12.2018, to distribute TRY 2,500,000 – 5 % of Company's paid in capital – as first dividend and TRY 1,197,500,000 as second dividend. It was decided not to distribute any dividends to Board members and to allocate TRY 15,000,000 as Legal Reserve.

**iii. Policies and Internal Arrangements**

There have been important changes in Garanti Emeklilik ve Hayat A.Ş.' policies and internal arrangements during our rating period. Some of them are listed below.

## **Corporate Policies;**

Information Security Policy 21.03.2018,  
Corporate Risk Management Policy 23.01.2018  
Credibility Risk Policy 16.05.2018  
Quality Policy 26.03.2018  
Personal Data Storage and Deletion Policy 21.03.2018

### **iv. Management and Organization**

With Board decision dated 07.08.2018 and numbered 519, resignation of Garanti Emeklilik ve Hayat A.Ş. Assistant General Manager Kaan Günay has been accepted and Behiye Eda Sevkar has been appointed in his place.

Board decision dated 04.10.2018 and numbered 523, determined number of assistant general managers as 4, which was previously 5. With the same Board decision, it was decided to establish Private Sales and Corporate Sales departments, as well as Dealers Regional Directorate and to increase the number of Regional Directorates to 13.

### **v. Other**

The Company did not make any increase of capital during the year.

There are no privileges for shares that represent Company capital.

The Company has no subsidiaries or affiliated companies.

Company's equity increased 24.4 % in comparison to previous year and reached TRY 1,633.8 million. Company's financial structure is in compliance with corporate governance principals.

Direct or indirect domination of Company's capital comes from Garanti Bank Group, which owns 84.91 % of shares. Another influential capital group in the Company is Dutch Achmea with 15 % of shares. This situation did not change during our rating period.

### **vi. National and international awards that Garanti Emeklilik ve Hayat A.Ş. received during our Rating monitoring period between December 2017 and December 2018 are below.**

#### **1- Turkey's Most Popular Companies Awards**

Garanti Emeklilik ve Hayat A.Ş. has become "Turkey's Most Popular Pension Company" in 2017 in the "Turkey's Most Popular Companies" Awards organized by the Capital magazine.

The award is based on evaluation criteria of employee and customer satisfaction, compliance with Corporate Governance Principles and product and service quality. Answers of 1,401 executives from more than 500 different companies have determined the award winners.



## 2- Sustainable Business Awards

At the 4<sup>th</sup> “**Sustainable Business Awards**”, organized by Sustainability Academy, Back to School project won the award in the category of “**Social Impact**”. The award organization aims to contribute development of sustainable business models in Turkey and to accelerate change in this field. Award winners have been determined by the jury, which was consisted of 29 individuals, all opinion leaders in their own fields.

## 3- Stevie International Business Awards

The CSR project Back to School, which the Company has been implementing since 2010, has won “Silver Award” in the category of “**Corporate Social Responsibility Program of the Year - in Europe**” at the 14<sup>th</sup> “**Stevie International Business Awards**”. Over 3,000 applications from more than 60 countries and allover the world were made and winners are determined by 12 different jury committees made up by more than 200 high level executives.

## 4- Best in Biz Awards 2017

The CSR project Back to School has won “Silver Award” in the category of “**The Most Socially Responsible Company of the Year**” at the 5<sup>th</sup> “**Best in Biz Awards 2017 International**” organization. 300 public and private companies from different sectors and from over 30 countries are evaluated as candidates at the organization, which also includes categories of public relations, media, customer management and product. Award winners have been determined by an international jury, comprising press representatives and sector experts.

## 5- The International CSR Excellence Awards

Our CSR project Back to School has won the “Champion Award” in the category of “Corporate Social Responsibility” at the 5<sup>th</sup> “The International CSR Excellence Awards”, where “The Most Caring Companies” are evaluated.

## 6- The Communitas Awards

At the “**Communitas Awards**”, organized by Association of Marketing and Communication Professionals (AMCP) since 2010, which is active in the Texas state of US, The CSR project Back to School has won awards in two different categories. The project won awards in the categories of “**Leadership in Community Service and Corporate Social Responsibility**” and “**Corporate Social Responsibility**”. Garanti Emeklilik has become the only Company from Turkey that won these awards. “**Communitas Awards**” is one of the most prestigious award organizations in the world.

## 7- Global Business Excellence Awards 2017 – Outstanding HR Team

Garanti Emeklilik’s Human Resources department has been named as “the Outstanding HR Team” at one of the prestigious global business awards, “**Global Business Excellence Awards 2017**”. Many international companies from allover the world have been nominated as candidates for awards. Candidates are evaluated in terms of their financial situation and innovative approach, as well as the benefits they provide for their customers, employees, investors and society.

## **8- Hermes Creative Awards 2017 – Outstanding Training Innovation**

Garanti Emeklilik has won an award at “**Hermes Creative Awards 2017**”, where most successful companies from all over the world in the fields of marketing, communication, advertising and internet are awarded. The Company has received the Gold Award at the “**Outstanding Training Innovation**” category with its digital training application “**Go-On**”.

## **9- Contact Center World Awards**

Garanti Emeklilik has undersigned a significant success at Contact Center World Awards, which is internationally known as one of the most prestigious award organizations in the sector of call centres and customer services. It was chosen as the “**Best Customer Services**” of Europe, Middle East and Africa (EMEA) region in the category of Customer Services. At 12<sup>th</sup> organization this year, which aims to determine best companies in their own fields, Garanti Emeklilik has won the Gold Award.

## **10- A.C.E (Achievement in Customer Excellence) Awards**

At “**A.C.E**” (Achievement in Customer Excellence) Awards, which is Turkey’s first and only competition to measure customer satisfaction on the basis of real complaints taken from [sikayetvar.com](http://sikayetvar.com), Garanti Emeklilik has been chosen as the “**Best Pension and Life Insurance Brand in Management of Customer Experience**”.

A.C.E Awards are based on complaint management of the brands. [sikayetvar.com](http://sikayetvar.com) conducted 400,000 polls for complaining customers in 2016 and these polls are taken into consideration in choosing the winners. “**Customer Experience Index**” has been prepared with the results of these polls. The polls have measured many different parameters from solution process and quality of services to impact of all stages on the brand perception.

## **12- Stevie Awards for Sales and Customer Services**

Garanti Emeklilik has been awarded at the 11th annual Stevie® Awards for Sales & Customer Service, one of the world’s most prestigious business award programs, with the “**Bronze Award**” in the “**Best Use of Technology in Customer Service**” category.

Stevie Awards for Sales & Customer Service have received more than 2,300 applications from all over the world this year from individuals and companies. The candidates have been evaluated with by the jury of more than 130 global executives. Garanti Emeklilik has been awarded with the “**Bronze Award**” in the “**Best Use of Technology in Customer Service**” category.

Garanti Emeklilik ve Hayat A.Ş. has become “**Turkey’s Most Popular Pension Company**” on the 16th list of “**Turkey’s Most Popular Companies**” prepared by the Capital magazine, based on evaluation criteria of employee and customer satisfaction, compliance with Corporate governance Principles and product and service quality.

## **13- TKYD Corporate Governance Awards**

At the 10th Corporate Governance Summit in January 2017, which is organized by Corporate Governance Association of Turkey, Garanti Emeklilik ve Hayat A.Ş. received the First Award as the “**Company with Highest Corporate Governance Rating Grade**” in the category of companies that are not open to public.

#### 14- Campaign Türkiye Agency & Brand of the Year Awards

Campaign Agency & Brand of the Year awards have been organized by Campaign England and Campaign Asia Pacific for 25 years and approach to performance as a whole. The awards that agencies and brands won within last one year are evaluated and best agencies and brands are determined. This year Garanti Emeklilik ve Hayat A.Ş. has been selected as the best brand of the year in the category of “Pension & Life”.



### **3. RATING METHODOLOGY**

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

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, **350** different criteria are considered to measure the compliance of Unquoted Companies with the corporate governance principles.

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

According to CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, the following rates are

applied in the new Corporate Governance Compliance Rating:

**Shareholders 25 %**

**Public Disclosure and Transparency 25 %**

**Stakeholders 15 %**

**Board of Directors 35 %**

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

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

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, “10” points mean excellent, full compliance with CMB’s Corporate Governance Principles while grade “0” means that there is unsatisfactory compliance with CMB’s Corporate Governance Principles in the existing structure.

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

<b>GRADE</b>	<b>DEFINITIONS</b>
<b>9-10</b>	The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.
<b>7-8,9</b>	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.
<b>6-6,9</b>	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 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>