



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



***Garanti Faktoring A.Ş.***

18 August 2017

Validity Period 18.08.2017-18.08.2018

## LIMITATIONS

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

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 53 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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

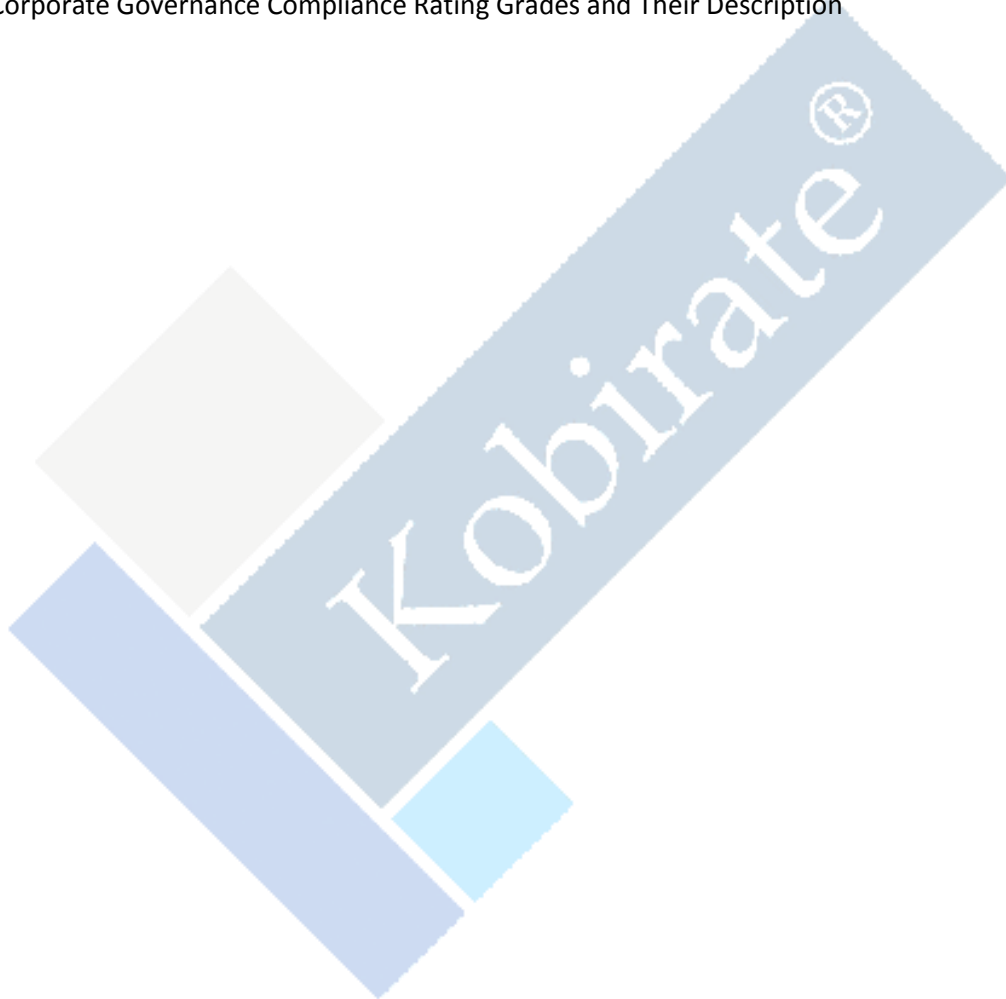
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose of any kind of borrowing instrument. KOBIRATE A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

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**GARANTİ FAKTORİNG**  
**ANONİM ŞİRKETİ**

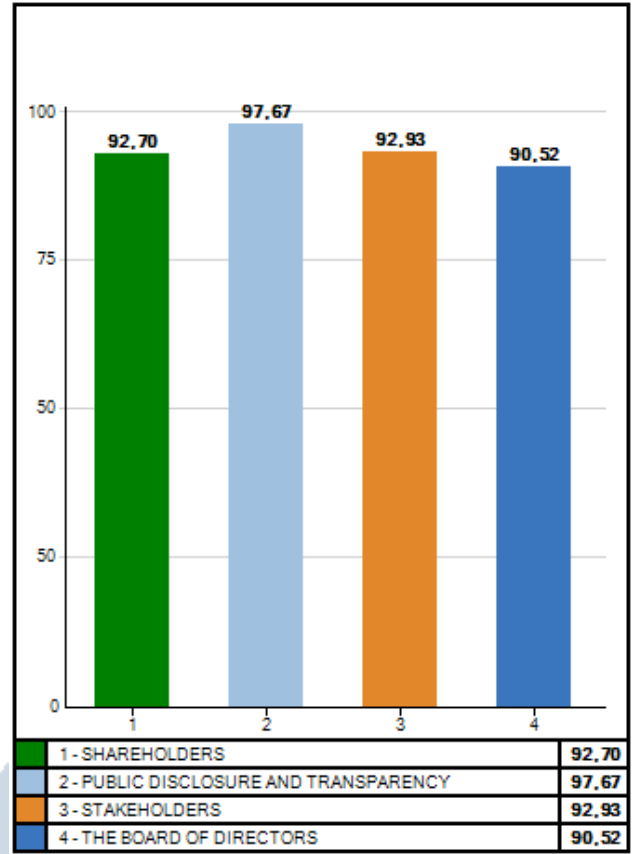
**CMB CORPORATE GOVERNANCE**  
**PRINCIPLES COMPLIANCE GRADE**

**9.32**

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## 1. SIXTH PERIOD REVISED RATING RESULTS

This report of rating of compliance of **GARANTİ FAKTORİNG A.Ş.** 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 Capital Market Board decision dated 06.01.2017 and numbered 1/23, **GARANTİ FAKTORİNG A.Ş.** is on the list of **BIST 3<sup>rd</sup> Group Companies**. At the end of examination of 399 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.Ş., developed for "Third Group Companies of the BIST", revised Corporate Governance Compliance Rating Grade of **GARANTİ FAKTORİNG A.Ş.** is determined as **9.32**. This result signifies that the Company has achieved compliance to a significant extent with the CMB's Corporate Governance Principles.

The fact that Board of Directors and the Top Management internalized the issues in the corporate governance principles and approached those areas that needed compliance and improvement willingly and determinedly within last year to produce solutions has played a major role in the revised grade that the company achieved.

All possible risks for the Company have been determined and are controlled. Rights of shareholders are treated fairly. Public disclosure and transparency activities are conducted at high level. Rights of stakeholders are treated fairly. The structure and working conditions of board of directors are compliant with corporate governance principles, but there is still need for some small improvements within the scope of corporate governance principles, although it doesn't pose a great risk.

It has been observed that **GARANTI FAKTORING** has obtained a grade of **92.70** in respect to **Shareholders' Section**.

As it was in last period, it has been determined that Investor Relations Department conducts its duties effectively within General Accounting Department, that preparations and announcements for general assembly take place timely and appropriately, that results of General Assembly are disclosed to public and voting by proxy is not blocked. In accordance with CMB Directive no II.17-1, the Director of Investor Relations Department Serap Çakır has been appointed as Corporate Governance Committee member.

There is no regulation in the Company that makes private audit difficult. Article 16 of Articles of Association keeps the right of appointment of private auditor for shareholders.

General assembly meeting to discuss 2016 operations took place on 18.04.2017 and it was announced on 13.03.2017. Financial statements, annual report, audit reports and Board of Directors' dividend distribution proposal were presented to shareholders with general assembly information documents three weeks before the General Assembly meeting.

It has been determined that 2016 Ordinary General Assembly meeting that took place on 18.04.2017 was conducted within the frame of CMB's Corporate Governance Principles and other legal regulations. At the meeting, Article

6 of Company's Articles of Association has been amended. You can find detailed information on 11, under the title of Changes in the Articles of Association.

#### **Main policies that ensured increase of grade in this section are;**

- Both Serap ÇAKIR and Müge Bal GÜNGÖRMEZ work at the Investor Relations Department as licensed personnel and Company supports its staff to get licensed.
- Investor Relations Department keeps record of written questions, as well as oral questions by shareholders.
- Investor Relations Department reports to the Board about its activities in 6 month periods.

Having General Assembly meetings open to public (including media) and stakeholders without right to address and adding an item to the Articles of Association on this subject will take Company's compliance with corporate governance principles one step further.

It has been determined that the Company has achieved a good compliance with the principles in this section.

The Company has achieved the grade of **97.67** for the section of **Public Disclosure and Transparency**.

**GARANTI FAKTORING** fulfills its public disclosures within the scope of its Disclosure Policies, prepared by the Board of Directors, approved by general assembly and disclosed to public.

Company's corporate website is used for public disclosures as an active and efficient platform and its content is regularly updated. Corporate website is also published in English for the benefit of international investors.

It has been seen that the Board of Directors prepares the annual report in such a detail that it gives public access to complete and true information about company's activities.

Annual reports of the Company are exemplary in terms detail and contents.

Financial statement notifications, required to be made public by capital market regulations, are disclosed on Public Disclosure Platform in Turkish and English simultaneously.

The fact that no information has been given on precautions taken to prevent conflicts of interest between the Company and other enterprises that it receives services from in the fields of investment consultancy and rating, has been seen as an area open to rearrangement in the annual report.

**GARANTİ FAKTORİNG** has achieved very good compliance with the principles in this section.

The Company has achieved the grade of **92.93** for the section of **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 has been concluded that the company respects the stakeholders' rights, specified in regulations and mutual contracts. The impression is that in case of lack of any regulation, the company respects stakeholders' rights within goodwill rules, company's reputation and means. It has also been observed that many internal regulations were prepared to this end.

The Company provided 4,221 hours of class and work place training in 2016. Training duration per person has been 26 hours. As of end of July 2017, 2,653 hours of training have been conducted.

Reward program that has been continuing since 2013 aims to reward those employees who are compliant with Company's targets and strategies and "Creating Difference", in pre – determined categories and thus to create a general awareness within the Company. Within this scope, 17 employees

have received awards in different categories in 2016.

The Company has been conducting satisfaction surveys in certain customer segments since March 2017, in three – month periods, and scores. Services are evaluated according to results.

**Main policies that ensured increase of grade in this section are;**

- Systematic conduct of Customer Satisfaction measurement, covering SME segment customers,
- Increasing possibilities of training for employees,
- Encouragement of employees to get licensed in their areas of activity,
- Awarding those employees who create difference.

In this section the Company has achieved good compliance with the principles.

**GARANTİ FAKTORİNG** has achieved the grade of **90.52** for the section of **Board of Directors**.

It is our impression that by the strategic decisions it takes, the Board manages and represents the company, keeping the risk, growth and return in balance while paying attention primarily to company's long term interests, under a reasonable and prudent risk management approach. In this sense, the Board of Directors has described the corporate strategic objectives and determined the required human and financial resources. Our impression is that the Board of Directors plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders. The structure of Board of Directors is in compliance with principles. The Board has 8 (eight) members and, except for 3 (three), they are non - executive members. 2 (two) of the non – executive members are independent members of board of directors. It has been determined that the Board of Directors convenes frequent enough to do its

duties. It held 23 (twenty three) meetings in 2016 and took 38 (thirty eight) decisions at these meetings. The Board held 15 (fifteen) meetings in 2017 as of July, 31 and took 23 (twenty three) decisions at these meetings.

In 2016, Corporate Governance Committee held 4 (four), Audit Committee 7 (seven) and Early Detection of Risk Committee 6 (six) meetings. The Corporate Governance Committee held 3 (three), Audit Committee 5 (five) and Early Detection of Risk Committee 3 (three) meetings in 2017, as of July 31.

Internal Audit Department reports to the Audit Committee. 12 (twelve) reports were sent in 2016 and 2 (two) as of July 2017. These reports give information to the Audit Committee about concluded and / or ongoing audit results and whether the improvements required for previous audits have been done or not.

**Main policies that ensured increase of grade in this section are listed below;**

- Corporate Governance, Audit and Early Detection of Risk Committees, which are required by principles, have been working effectively.
- All the work of committees have been written down and recorded.
- Committees report information about their activities and meeting results to the board of directors.
- Remuneration and other benefits for members of board of directors are disclosed to public through the annual report.

However, the facts that are listed below indicate areas in need of rearrangement: There is no policy a target ratio (no less than 25%) and a timetable for women members of the board,

Although the remuneration and other benefits for members of board and other executives with administrative responsibilities are disclosed in accordance with the requirement of “on personal basis or board and top executive basis” as stated by

CMB’s Corporate Governance Compliance Report format section 5.6. It makes the distinction between board and top executive. However the disclosure doesn’t meet the requirement of information on personal basis.

There is no practice of self-criticism and performance evaluation for Board Members, neither as board nor as members.

Members of Board of Directors are not rewarded or dismissed according to their performances.



## 2. COMPANY PROFILE AND CHANGES IN LAST YEAR

### a. Company Profile



**Company Name** : Garanti Faktoring Anonim Şirketi  
**Company Address** : Maslak Mahallesi Eski Büyükdere Cad. No:23  
Sarıyer/ İSTANBUL  
**Company Phone** : (0212) 3653150  
**Company Facsimile** : (0212) 3653151  
**Company Website** : [www.garantifactoring.com.tr](http://www.garantifactoring.com.tr)

**Date of Incorporation** : 04/06/1990  
**Registered Number** : 265852  
**Paid in Capital** : 79.500.000.-TL

**Line of Business** : Factoring services

**Company's Sector** : Finance

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

Serap Çakır

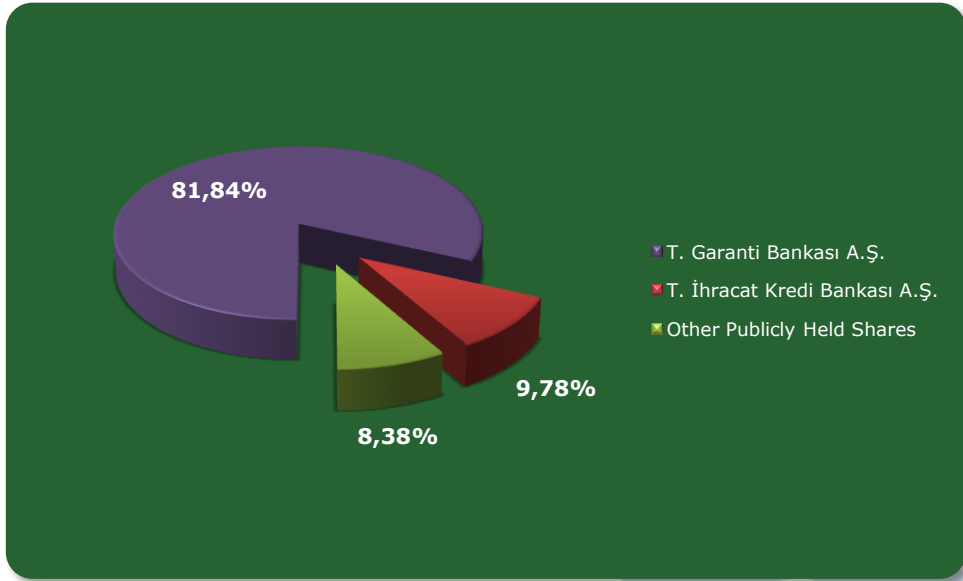
General Accounting Department Manager

[scakir@garantifactoring.com](mailto:scakir@garantifactoring.com)

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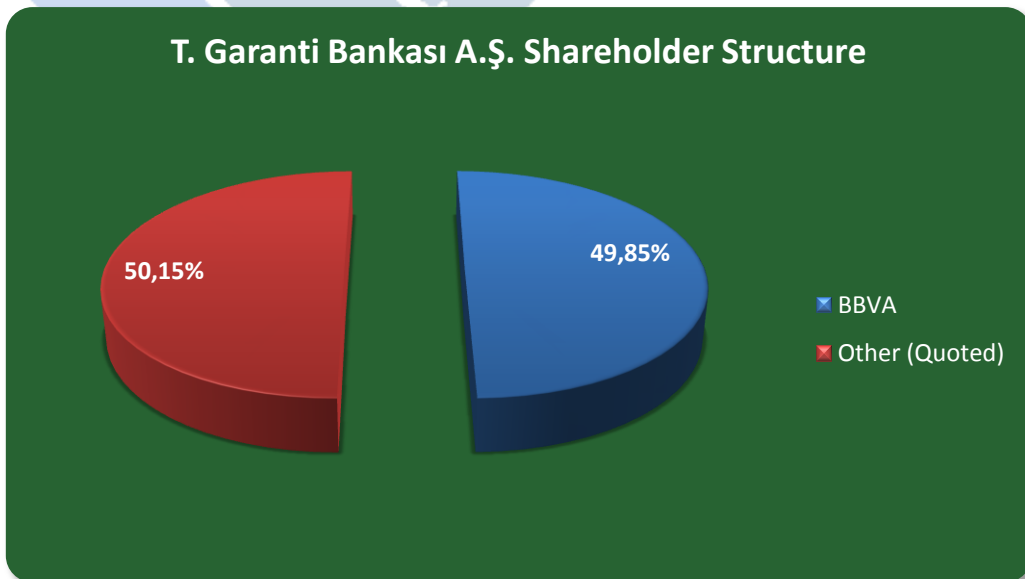
**Shareholders Structure (as of report date)**



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

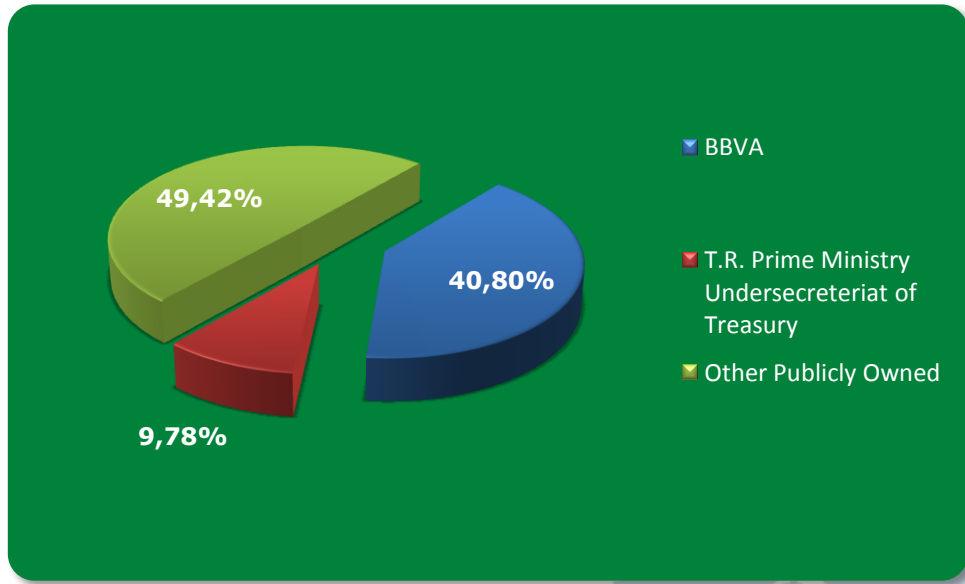
Shareholder Name	Share (TL)	%
T. Garanti Bankası A.Ş.	44.046.670,89	55,40
Public Shares owned by T. Garanti Bankası A.Ş.	21.018.964,18	26,44
T. İhracat Kredi Bankası A.Ş.	7.772.941,90	9,78
Other Publicly Held Shares	6.661.423,03	8,38
<b>Total</b>	<b>79.500.000,00</b>	<b>100,00</b>

**Shareholder Structure of the Main Shareholder T. Garanti Bankası A.Ş.**



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

**Direct and Indirect Real and Corporate Persons that Own Capital at Garanti Faktoring A.Ş.**



Shareholder Name	Share (TL)	%
BBVA (Banco Bilbao Vizcaya Argentaria S.A.) (through T. Garanti Bankası A.Ş.)	32.435.220,62	40,80
T.C. Prime Ministry Undersecretariat of Treasury	7.772.941,91	9,78
Other Publicly Owned	39.258.484,85	49,42
<b>Total</b>	<b>79.500.000,00</b>	<b>100,00</b>

Source: www.kap.gov.tr

**Board of Directors**

Name/ Surname	Title	Executive/ Non Executive
Ali Fuat ERBİL	Chairman	EXECUTIVE
Recep BAŞTUĞ	Deputy Chairman	NON-EXECUTIVE
Ali TEMEL	Member	EXECUTIVE
Osman Bahri TURGUT	Member	NON-EXECUTIVE
Cemal ONARAN	Member	NON-EXECUTIVE
Hasan Hulki KARA	Member & General Manager	EXECUTIVE
Serhat YANIK	Independent Member	NON-EXECUTIVE
Ali ÇOŞKUN	Independent Member	NON-EXECUTIVE

## TOP MANAGEMENT

Name/ Surname	Title
Hasan Hulki KARA	General Manager
Mert ERCAN	Assistant General Manager
İlkay ŞAHİN HAMURCU	Assistant General Manager
Erkan COPLUGİL	Assistant General Manager

## COMMITTEES FORMED WITHIN THE BOARD OF DIRECTORS

AUDIT COMMITTEE	
Serhat YANIK	Independent Member of Board of Directors
Ali ÇOŞKUN	Independent Member of Board of Directors
CORPORATE GOVERNANCE COMMITTEE	
Serhat YANIK	Independent Member of Board of Directors
Osman Bahri TURGUT	Member of Board of Directors (Non Executive)
Serap ÇAKIR	General Accounting (Department Manager/ IRD Director)
EARLY DETECTION OF RISK COMMITTEE	
Serhat YANIK	Independent Member of Board of Directors
Ali ÇOŞKUN	Independent Member of Board of Directors

### Balance-Sheet Comparison of Company's Certain Selected Items *as of Last 2 Yearends*

	2015/12(000)	2016/12(000)	Change %
Total Assets	2.970.521	2.899.452	(2,39)
Factoring Receivables	2.850.203	2.834.789	(0,054)
Paid in Capital	79.500	79.500	-
Equity	165.762	185.453	11,88

Source: Garanti Faktoring A.Ş. 2016 Annual Report

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

	2015/12(000)	2016/12(000)	Change %
Factoring Revenues	237.682	244.268	2,77
Factoring Expenses	(40.035)	(78.945)	97,19
Financial Expenses	(221.361)	(211.021)	(4,67)
Net Profit/Loss	25.430	19.716	(22,47)

Source: Garanti Faktoring A.Ş. 2016 Annual Report

**The Bottom and Peak Closing Values of Company's Shares traded on the BIST for last year**

<b>Bottom (TL)</b>	<b>Peak (TL)</b>
<b>2,08 (11.01.2017)</b>	<b>4,30 (07.08.2017)</b>

***Markets where the Capital Market Instrument is Quoted and Indexes that the Company Participates***

DEFINITE BUYING / SELLING MARKET (AMONG QUALIFIED INVESTORS) / MAIN MARKET

BIST ALL / BIST ALL-100 / BIST MAIN / BIST FINANCIAL, LEASING, FAKTORİNG / BIST CORPORATE GOVERNANCE / BIST FINANCIAL

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

**b. Changes in In Last One Year:**

**i. Changes in Capital and Articles of Association:**

There has been no change in Company's capital and shareholder structure within the rating period. Distribution of TRY 79,500,000 is provided on page 8 of our report.

Board of Directors has taken decision to revise Article 6 of Articles of Association. Following approvals of CMB, BRSA and Ministry of Customs and Trade, the decision was unanimously approved at the 2016 Ordinary General Assembly meeting on 18.04.2017 and the revision was made.

The change includes extension of permission term for Recorded Capital Ceiling (determined by Article 6) until the end of 2020 and revision of this Article.

**ii. Changes in Management and Organization**

At the Ordinary General Assembly meeting of 2016 on 18.04.2017, it was unanimously decided that Gökhan ERÜN, Turgay GÖNENSİN and Luis Vicente Gasco TAMARIT who have resigned from Board membership, would be replaced (in accordance with Article 315 of Turkish Trade Law) by Recep Baştuğ as Member of Board and Deputy Chairman and Ali TEMEL and Cemal ONARAN as Members of Board and the newly appointed Members would be completing the remaining times of resigned Members of Board

There has been no change in the Top Management of the Company within the rating period.

Internal control duties, which were implemented by internal control staff in the department of Internal Control are separated to be conducted directly under the Audit Committee.

### **iii. Dividend Distribution**

Board of Directors has taken the following decision unanimously at the meeting on 13.03.2016, to be presented for approval at Company's Ordinary General Assembly meeting for 2016:

In line with financial statements for the period of 1 January – 31 December 2016, which have been prepared in accordance with CMB's Communiqué No 11.14.1 on "Basic Principles of Financial Reporting in Capital Market", Turkish Financial Reporting Standards (TMS/TFRS) and in required formats determined by CMB and audited by DRT Bağımsız Denetim ve Serbest Mali Müşavirlik A.Ş; from TRY 23,806,744.88 profit of 2016 (in accordance with "basis of determining and distributing profit" stated in the Articles of Association), TRY 19,715,544.16 net profit, which is the remaining amount after allocating tax reserve, would be transferred into legal and extraordinary reserve profits accounts and kept within the Company, taking into consideration delayed taxes net spending effect of TRY 7,764,442.80, calculated from 2016 period profit.

The proposal of not distributing dividend and transferring the profit into Company's legal and extraordinary profit reserves account was accepted unanimously at the Ordinary General Assembly meeting for 2016 on 18.04.2017.

### **iv. Policies and Internal Arrangements**

Within the period of rating, there have been no changes in Company policies of Disclosure, Dividend, Remuneration, Compensation, Human Resources, Donation and Aid and Ethical Rules. These policies are disclosed to public through Company's corporate website.

### 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 Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

**399** criteria are used in the rating process for BIST Third Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.Ş.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance

Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

**Shareholders 25 %**

**Public Disclosure and Transparency 25 %**

**Stakeholders 15 %**

**Board of Directors 35 %**

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.



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

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

GRADE	DEFINITIONS
4–5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>