



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



***Garanti Yatırım Ortaklığı A.Ş.***

23 December 2016

Validity Period : 23.12.2016-23.12.2017

## LIMITATIONS

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

in accordance with 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 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 edition 28871 on 03.01.2014.

The Rating Report issued by Kobirate Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 67 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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

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

The rating grade does not constitute a recommendation to purchase, to hold or to dispose 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 YATIRIM  
ORTAKLIĞI A.Ş.**

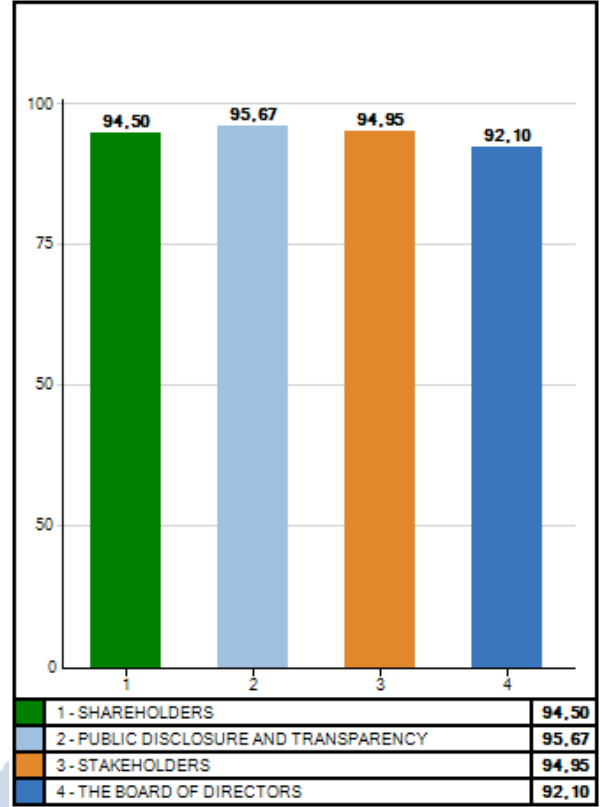
**CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE**

**9.40**

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## 1. RATING SUMMARY

The process of rating of compliance of **GARANTİ YATIRIM ORTAKLIĞI 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 Capital Markets Board's (CMB) Corporate Governance Principles Communiqué no II-17.1 published in the Official Gazette edition 28871 on 03.01.2014.

According to Capital Market Board Bulletin dated 08.01.2016, No 2016/1, Garanti Yatırım Ortaklığı A.Ş. is on the list of BİST 3<sup>rd</sup> Group Companies. The Company has been evaluated through 398 criteria described in the methodology of Kobirate Uluslararası Kredi

Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş., prepared for "BİST Third Group Companies / Investment Trusts. At the end of the rating process under main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, the Corporate Governance Compliance Rating Grade of **GARANTİ YATIRIM ORTAKLIĞI A.Ş.** has been revised as **9.40**. This result signifies that Garanti Yatırım has significantly achieved compliance with CMB's Corporate Governance Principles. Possible risks for the Company have been determined to a significant extent and can be 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 rather in compliance with corporate governance principles. However,

the result also expresses a need for some improvements while it doesn't pose major risks.

Willing and determined approach of both board of directors and top management to internalize corporate governance principles and to produce solutions for areas that require compliance and improvement within last one year is seen as the most important factor in reaching the revised grade.

In view of rating process under main headings in brief;

It is seen that the company has achieved a grade of **94.50** in the section of shareholders.

In this section, it is seen that the Company has generally achieved compliance with CMB Corporate Governance Principles. Having healthy relations with shareholders, existence of Investors Relation Department, timely and duly convention of general assemblies and their proper invitations, having prepared a dividend policy and its disclosure to public and having no restrictions over transfer of are salient positive achievements. In accordance with CMB Communiqué no II.17-1, the Manager of Investors Relation Department has been appointed as Corporate Governance Committee member.

The Company has achieved a grade of **95.67** in the section of Public Disclosure and Transparency. Developing its disclosure policy, sharing it with public and the fact that investors can reach relevant and current information they may need about the Company referred by the principles in the corporate website are deemed positive.

It has been determined that the annual report is in compliance with the principles and provides stakeholders with detailed information about company activities.

It is seen that the Company has achieved a grade of **94.95** in the section of stakeholders.

Human resources policy has been established; regulations have been made and disclosed to the employees including recruitment, job descriptions, performance appraisal, promotion, awarding, leave and social benefits.

The Company has set compensation policies - based on current Labor Laws - for employees and disclosed it on the corporate website.

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

As for the Board of Directors Section, the Company's grade is **92.10**.

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

Within the Board of Directors, sub committees of Audit, Corporate Governance, Nomination and Early Detection of Risk Committees have been established, as referred by the Principles, and working principles have been prepared.

There are also other important indications of compliance with the Principles such as the fact that there is a sufficient number of non – executive Board members and two (2) independent members, and that guidelines for remuneration of Board members and top executives have been set forth and presented to the shareholders at the general assembly meeting as a separate item of agenda.

The posts of Chairman of the Board and General Manager are held by the same individual. Reasons for this situation are explained at the Public Disclosure Platform and the Annual Report.

## 2. RATING METHODOLOGY

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

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

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

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

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established

within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

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

In the process of rating, **398** different criteria are considered to measure the compliance of BIST Investment Trusts with the corporate governance principles.

These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'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 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 Communiqué of Corporate Governance published on 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. Remaining 15 % is reached by using good practices - other than those determined by Corporate Governance Principles - that are internalized by the Company, apart from the criteria determined.

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



**Company Name** : Garanti Yatırım Ortaklığı Anonim Şirketi  
**Company Address** : Dođuş Grubu Merkez Binası, Huzur Mah. Maslak Ayazađa  
Cad. No: 2 34396 Şişli-İstanbul  
**Company Phone** : (0 212) 335 30 95-96-97  
**Company Facsimile** : (0212) 335 32 30  
**Company's Web Address** : <http://www.gyo.com.tr/>  
**Company's E-Mail Address** : [yo@gyo.com.tr](mailto:yo@gyo.com.tr)

**Date of Incorporation** : 9 July 1996  
**Registered Number** : 349050-260631  
**Line of Business** : Management of capital market instruments portfolio  
**Company's Sector** : Investment Trust

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

**Ali Akın EKMEKÇİ**

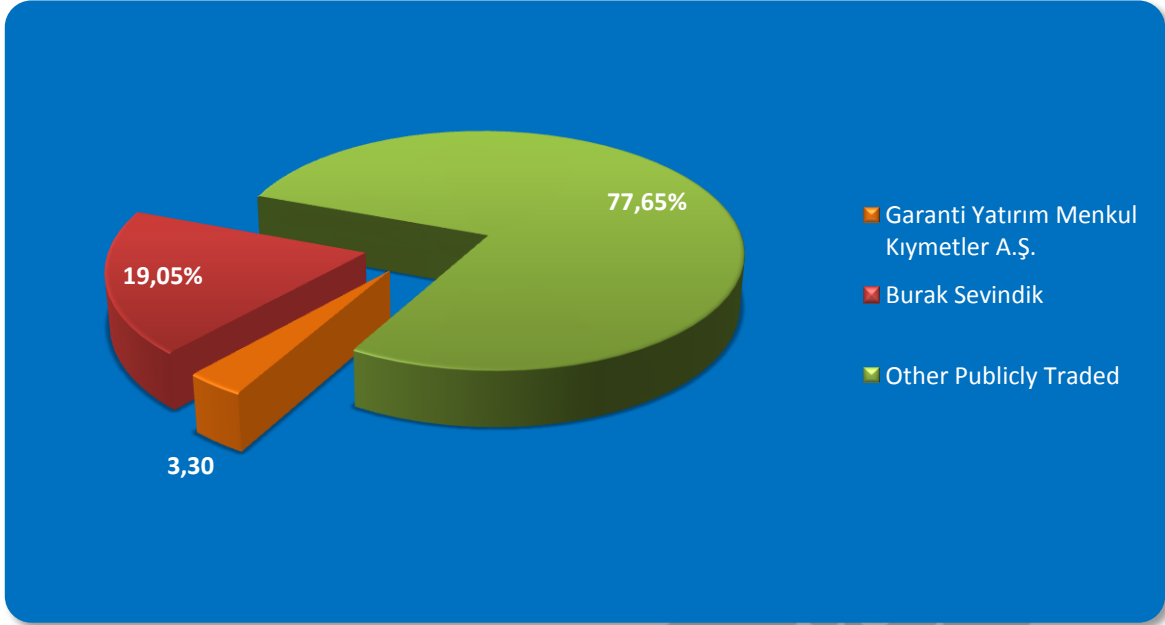
Financial Affairs Director

[aekekci@gyo.com.tr](mailto:aekekci@gyo.com.tr)

(0212) 3353095



### Shareholder Structure (As of Report Date)



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

### Shareholder Structure

Shareholder Name	Share (TL)	%
Garanti Yatırım Menkul Kıymetler A.Ş.	1.057.206,14	3,30
Burak Sevindik	6.094.810	19,05
Other Publicly Traded	24.847.983,86	77,65
<b>Total</b>	<b>32.000.000,00</b>	<b>100,00</b>

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

### Board of Directors

Name/ Surname	Title
Mehmet Reha TANÖR	Chairman of Board/General Manager
Zeki ŞEN	Vice Chairman of Board
Mahmut KAYA	Board Member
Mustafa Sabri DOĞRUSOY	Board Member (Independent)
Remzi Murat RENA	Board Member (Independent)

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

## BOARD COMMITTEES

### AUDIT COMMITTEE

Member Name/ Surname	Title
Remzi Murat RENA	Chairman / Independent Board Member
Mustafa Sabri DOĞRUSOY	Member / Independent Board Member

### CORPORATE GOVERNANCE COMMITTEE

Member Name/ Surname	Title
Mustafa Sabri DOĞRUSOY	Chairman / Independent Board Member
Remzi Murat RENA	Member / Independent Board Member
Hasan Hüsnü GÜZELÖZ	Member / Investor Relations Department Dir.

### EARLY RISK DETECTION COMMITTEE

Member Name/ Surname	Title
Mustafa Sabri DOĞRUSOY	Chairman / Independent Board Member
Remzi Murat RENA	Member / Independent Board Member
Hasan Hüsnü GÜZELÖZ	Member / Investor Relations Department Dir.

### NOMINATION COMMITTEE

Member Name/ Surname	Title
Remzi Murat RENA	Chairman / Independent Board Member
Mustafa Sabri DOĞRUSOY	Member / Independent Board Member

### Top Management

Name Surname	Title
Mehmet Reha TANÖR	General Manager
Ali Akın EKMEKÇİ	Financial Affairs Director

### Investor Relations Department

Name Surname	Title	Contact Info
Hasan Hüsnü GÜZELÖZ	Investor Relations Department Manager	0212 335 3095 <a href="mailto:yo@gyo.com.tr">yo@gyo.com.tr</a>
Ali Akın EKMEKÇİ	Investor Relations Department Staff	0212 335 3095 <a href="mailto:aekekci@gyo.com.tr">aekekci@gyo.com.tr</a>

### Balance-Sheet Comparison of Bank's Certain Selected Items at 31.12.2015 and 30.09.2016

	2015/12 (TL)	2016/09 (TL)	( % )
Current Assets	35.139.891	35.451.906	0,89
Fixed Assets	32.332	50.130	55,05
Total Assets	35.172.223	35.502.036	0,94
Short Term Liabilities	176.663	137.996	-21,89
Long Term Liabilities	172.384	142.566	-17,30
Equity	34.823.176	35.221.474	1,14

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

### *Brief History of the Company*

The company was founded in Istanbul on July 9th, 1996 with a capital of TRY 250,000 TL.

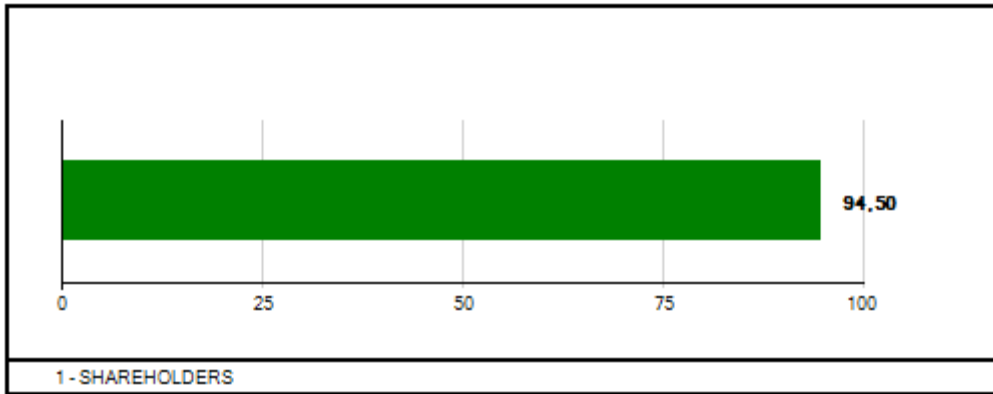
The company was founded to manage capital market instruments, as well as gold and other precious metal portfolios - traded in national, international stock exchanges or other organized markets - of those partnerships from which the Company bought securities within the scope of principles and rules determined by relevant regulations and that the Company has no domination on their capital and management.

80 % of Company's shares started to be traded publicly in November 1996. As of 30.09.2013, 99.70 % of its shares were being traded at Borsa İstanbul A.Ş. (BIST).

The head office is in Istanbul. As of 05.08.2013, company's registered capital is TRY 100,000,000 and its issued capital is 32,000,000. There are 8 employees of the company.

#### 4. RATING SECTIONS

##### A. SHAREHOLDERS



#### Overview

- ✓ Investor Relations Department has been established to continue relations with shareholders on a healthy basis.
  - ✓ General Assemblies are held in accordance with laws, regulations and the Articles of Association.
  - ✓ There are no regulations that make the use of voting right difficult.
  - ✓ Donations and Aid policies of the company have been prepared and presented for the approval of the General Assembly.
  - ✓ Dividend policy has been prepared, presented for the approval of the General Assembly and disclosed to public.
  - ✓ There is a provision in the Articles of Associations allowing for dividend advance.
  - ✓ There are no restrictions in the transfer of shares.
  - ✓ There is a provision in the Articles of Associations underlining that general assembly meetings will be open to public.
  - ✓ Invitations for general assembly state that the meetings are open to public.
- ✘ **There is privilege in voting right.**

In this section, as stated CMB's Corporate Governance Principles, the company was evaluated on **114** different criteria, including

**Facilitating the Exercise of Shareholders' Rights**, shareholders' right to **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 **94.50**.

##### a. *Facilitating the Exercise of Shareholders' Rights*

Relations with shareholders are conducted by Investor Relations Department (IRD). Hasan Hüsnü GÜZELÖZ is the Director of the Department and Ali Akın EKMEKCI (Financial Affairs Director) works as staff in the Department.

The arrangement made in the IRD in order to achieve compliance to provisions of "Investor Relations Department" of CMB's Corporate Governance Communiqué, numbered II-17.1, was disclosed to public through PDP statement dated 04.02.2014. The statement said: "With the Board of Directors decision dated 04.02.2014 and numbered 2014/2, it is decided to dissolve the Department of Relations with Shareholders and to found 'Investor Relations Department', directly reporting to the General Manager, in accordance with the Article 11 of Corporate Governance Communiqué (II-17.1). It is also decided to assign Hasan Hüsnü Güzelöz as the

director of the department and Ali Akın Ekmekci as the staff.” The statement also gave contact information for the department. In compliance with the same Communiqué, Hasan Hüsnü Güzelöz was also appointed as member of Corporate Governance Board and information on the appointment was given with a material event disclosure on 16.07.2014.

It has been observed that the employees working in the Investor Relations Department 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 examine information.

It has been determined that the Investor Relations Department reports regularly to Board of Directors once a year.

Any information that might affect the exercise of shareholders’ rights are currently at disposal of shareholders on the corporate website.

In this subsection Garanti Yatırım Ortaklığı has achieved compliance with the corporate governance principles.

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

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

It has been seen that inquiries of shareholders by phone or other means of communication in written format are answered in the shortest possible time and sufficient care is given for the shareholders to exercise their right to obtain and examine information.

The “Disclosure Policy”, approved by the board, appears on the website, explaining in detail the shareholders’ right to obtain and

examine information under the aforementioned policies.

There is no practice of cancelling or restricting shareholders’ right to obtain and review information, imposed by the Articles of Association and/or a decision by any corporate department.

Although there are no regulations and practices making it difficult for the shareholders to use their right to demand appointment of a special auditor from the General Assembly, no provision has been put in the Articles of Association on this issue.

**c. General Assembly**

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

The routine general assembly meeting to discuss 2015 operations was planned for 29.03.2016 and invitation for the meeting was made on 29.02.2016. However the meeting had to be postponed due to absence of necessary majority. Second meeting was held on 27.04.2016. Its invitation was made 3 weeks before the meeting through Turkish Trade Registry Gazette edition 9047, published on 05.04.2016, Public Disclosure Platform Statement dated 31.03.2016 and corporate website.

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

Alongside the meeting announcement, information documents disclosing agenda items were also published on company's corporate website. It has been determined that total number of shares reflecting

Company's shareholders structure as of the announcement date and information about privileged shares were disclosed to shareholders. It has also been seen that information on changes that would significantly affect Company's management and activities, on shareholders' demands to add items to the agenda and on whether or not any changes took place in the Articles of Association were given.

It has been determined that 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".

In order to increase participation of shareholders, general assembly meetings are held in a certain fashion to avoid inequalities among shareholders and enable them to participate with minimum costs. The general assembly meeting convened at the company's head office, in a suitable place.

General Assembly meetings are open to public and there is a provision on this in the Articles of Association.

Upon examination of general assembly minutes and list of attendance, it has been learned that the chairman of board / general manager, three (3) board members, financial affairs director, investor relations department staff and representatives of the independent audit attended the meeting. It has been determined that the items on the agenda were separately voted and the results were shared with shareholders before the closure of the meeting. It has also been 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.

Shareholders did not ask any questions to the chairman of meeting during the general assembly meeting.

In accordance with Article 1.3.6 of CMB's Corporate Governance Communiqué (II-17.1)

and Articles 395 and 396 of Turkish Commercial Law, shareholders were informed that majority shareholders, board members, managers with administrative responsibilities their spouses and first and second degree relatives have not been engaged in 2015 in activities of having transactions that might cause conflict of interest with the company or its subsidiaries or of engaging 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. This information has been recorded in meeting minutes.

Attendants to meeting were informed that company did not give guarantees, pledges, mortgages and bails or provided revenue or interest in favor of third persons, in accordance with the articles of CMB's Corporate Governance Communiqué numbered II-17.1. Upper limit for aids and donations in 2016 were determined and board of directors was authorized to give them within this limit. Shareholders were also informed that no aid or donations were given within the period.

Company has achieved a good level compliance with the principles in this subsection.

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

According to the Articles of Association; each of registered (A) group shares has 1,000,000 (one million) votes and each bearer (B) group shares has 1 (one) vote in selection of Board Members. Apart from this one share gives one vote and opportunity to exercise the voting right in the easiest and most convenient manner is given to each shareholder.

Neither the Articles of Association nor internal procedures contain any difficulties to exercise voting right. 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 website.

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

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

There has not been any violation of exercise on minority shareholders' rights as attendance to the general meeting, 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 are no provisions to extend minority rights to those shareholders with less than 1 / 20 of the capital.

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

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. It has been determined that 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.

According to the dividend policy; "Garanti Yatırım Ortaklığı aims to provide its investors with productivity - reasonably over annual inflation - by making suitable risk assessments, and adopts the principle of distributing the profit to its investors as much as possible, at a certain level to avoid any damages to the financial structures of the company.

Dividend distribution policy states: "Company's dividend policy has been prepared in accordance with CMB Dividend Communiqué (II-19.1), published on Official Gazette dated 23.1.2014, No 28891 and CMB Communiqué on "Principles for Investment Trusts" (III-48.2), published on Official Gazette dated 29.8.2013, No 28750 and dividend distribution is described in detail by Articles 33 and 34 of the Articles of

Association." The Policy emphasizes: "Within this scope, it is obligatory to distribute at least 20 % of Company's net distributable profit in cash as first dividend and Company will obey the principles determined by CMB for corporations in dividend distributions."

The dividend policy informs the shareholders that there are no privileges in the distribution of dividend and principle of per diem deduction is not applied. It also informs them that all shares will equally benefit from dividend distribution.

The Dividend Policy also says that dividend advance can be distributed to shareholders in accordance with the provisions of 15<sup>th</sup> article of Capital Market Law. This subject has been regulated by Article 33 of Articles of Association.

Financial statements, prepared with 2015 data, in accordance with CMB regulations, show TRY 282,262 profit for the period. After deducting spares, which are legally obligatory, tax, funding and financial payments, it was decided to distribute a total of TRY 1,200,000 (net distributable period profit of TRY 218,148.90 plus TRY 981,851.10 from extraordinary reserves) to shareholders. TRY 50,000 from net distributable profit was distributed to board members as dividend. Dividend distribution was completed on 08.06.2016.

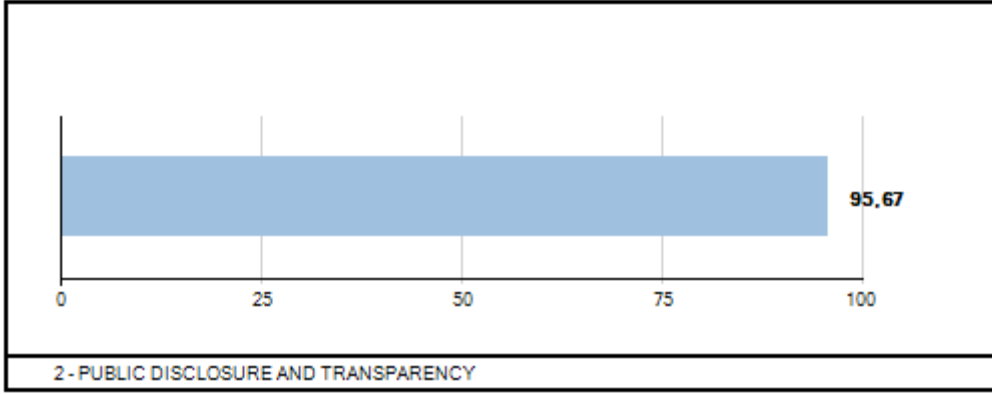
In this subsection Garanti Yatırım Ortaklığı has achieved high level compliance with Corporate Governance Principles.

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

According to the 11<sup>th</sup> Article of Articles of Association, transfer of privileged (A) Group registered shares is subject to approval of Board of Directors. Apart from that there is no restriction in the transfer of shares.

Practices of the Company in this subsection are in compliance with Corporate Governance 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 website is being used effectively as a tool to update and enlighten the public within the context of the principles.
- ✓ The information and documents that are required to be on the website by principles cover last 5 years.
- ✓ Information in the corporate website has also been prepared in English.

As for this section, the Company has been assessed by **88** different criteria under the headings of **Corporate Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **95,67**.

Garanti Yatırım Ortaklığı fulfills its public disclosures under its Public Disclosure Policy prepared by the Board of Directors and shared with public.

The 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 and the method to

be used to respond to questions directed to the company.

The authority and responsibility to monitor, supervise and develop public disclosure policy belongs to the Board of Directors. Chairman of Board / General Manager Mehmet Reha TANÖR, Board Member / Director of Investor Relations Department Hasan Hüsnü GÜZELÖZ and Financial Affairs Director Ali Akın EKMEKÇİ are executive managers with signatory authority for public statements.

Independent audit of the Company for 2015 was done by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited). There are no cases in the reports where independent auditor avoided expressing opinions, expressed conditional opinions or withdrew 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.

With the suggestion of Audit Committee and approval of general assembly, it was decided that audit of 2016 would also be conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited).



### **a. Corporate Website**

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

The corporate website covers commercial registry details, current shareholding and management structure, dates and numbers of commercial registry newspapers where changes were published with the final text of the company's Articles of Association, material event disclosures, financial reports, annual reports, agenda of the general assemblies and invitations for meetings, lists of attendees, proceedings of the assemblies, the specimen Proxy, internal directive, dividend policy, disclosure policy, remuneration and compensation policy, information forms to be used if the company buys its own shares, donation and aid policy, related party transactions, explanations in the format of continuous information forms, 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.

The information on the website is also published in English for the use of international investors and partners.

In accordance with the capital market regulations, the financial statements are disclosed on the 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 Garanti Yatırım Ortaklığı has achieved high level compliance with Corporate Governance 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:

- Information about Company's shareholding and capital structure, as well changes that took place within the financial period,
- Information on privileged shares and voting rights of shares,
- 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 in the Articles of Association during the period and their reasons,
- Information on important law suits against the company and their possible conclusions,
- Compliance to Corporate Governance Principles Report,
- Independent Auditor's report on the annual report.

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

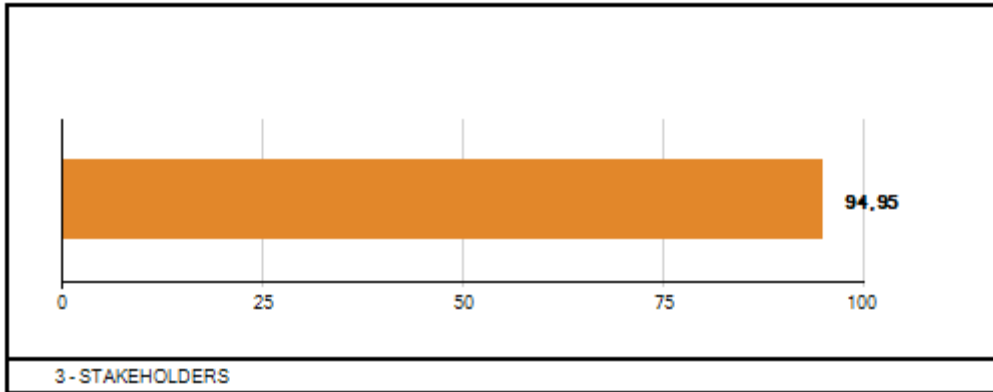
- Resumés and tenures of board members and senior managers,
- Board members' and managers' ongoing jobs outside the company,
- Number of Board of Directors meetings within the year and attendance performance of members to these meetings,

- Members of subcommittees within the board of directors and meeting frequencies of these subcommittees,
- Declarations of independent board members on their independence,
- 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.

In this subsection Garanti Yatırım Ortaklığı has achieved high level compliance with Corporate Governance Principles.



## C. STAKEHOLDERS



### Overview

- ✓ Ethical Rules have been formed and disclosed through electronic means.
- ✓ Compensation Policy has been formed for employees and disclosed to public via corporate website.
- ✓ There is a detailed regulation for HR.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There has been no complaint by employees about discrimination and being unable to use their rights.
- ✓ Care is given to confidentiality of information about customers and suppliers within the scope of trade secrets.

- ✓/\* There are no mechanisms or models in the Articles of Association and regulations that support participation of employees and stakeholders to management.

As for this section, the Bank has been assessed by 57 different criteria under the headings of **Corporate Policy on Stakeholders, Supporting the Participation of Stakeholders' in Corporation's Management, Human Resources Policy of the Corporation, Relations with Customers and Suppliers, Ethical Rules and Social Responsibility** as laid down in the Corporate Governance Principles of the Capital Market

Board, for which the Company has deserved the grade of **94.95**.

#### a. Corporation's Policy on Stakeholders

The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations. It has been concluded that Garanti Yatırım Ortaklığı protects the stakeholders' rights specified in regulations and mutual contracts.

It has been determined that the company respects the stakeholders' rights, specified in regulations and mutual agreements and our impression is that in case of lack of any regulations, the company respects stakeholders' rights within goodwill rules, company's reputation and means. It has been 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.

In this subsection the Company has achieved compliance with the Corporate Governance Principles.

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

No models to support employees' participation to company management have been prepared and there are no provisions on this subject in regulations or Articles of Association.

There are eight (8) employees at the company, including general manager. As the number of employees is low, opinion exchanges and briefings are done through small face to face meetings.

**c. Human Resources Policy of the Corporation**

A detailed HR regulation for employees has been prepared. Internal procedures on recruitment, working conditions, disciplinary practices, power and responsibilities of employees, remuneration, health rights, leave rights, promotion, task alteration and dismissal, death, resignation, retirement have been developed and our impression is that the company sticks to these policies in practice. We also have the impression that the Company has acted in accordance with the principle of providing equal opportunities for individuals with equal status, both in determining these policies and in implementing them.

It has been learned that 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.

Employee stock-options schemes have not been developed.

There is no item on staff regulation restricting the freedom of founding an association. Officials said that there is no restriction for employees to become member of an association provided they take permission before. Employees are not members of any trade-union.

There are no formal or systematically structured practice to inform or exchange opinions with employees on developments concerning them, decisions and company's financial state. As there are very few employees in the company, briefings and opinion exchanges are done face to face and mostly spontaneous meetings. It has been learned that thanks to this process, the employees are able to call on and consult HR officials and give their opinions to top management on every subject.

It has been seen that the company has developed a training policy and annual programs are prepared in accordance with this policy.

The fact that productivity is the criterion to determine remuneration and other benefits for employees is underlined in human resources regulations and it can be seen by reading committee meeting minutes.

Company practices in this subsection are in compliance with Corporate Governance Principles.

**d. Relations with Customers and Suppliers**

Because of its line of business and structure the company does not have a stakeholder category that can be described as customer.

However, generally importance is given to confidentiality of information and care is taken to use necessary technologies for this purpose.

**e. Ethical Rules and Social Responsibility**

Ethical Rules, required to be complied by all employees have been prepared, approved by the Board of Directors decision dated 25.12.2015, No 2015-16 and published on the company website. This procedure was presented for the information of shareholders at the general assembly meeting on 27.04.2016.

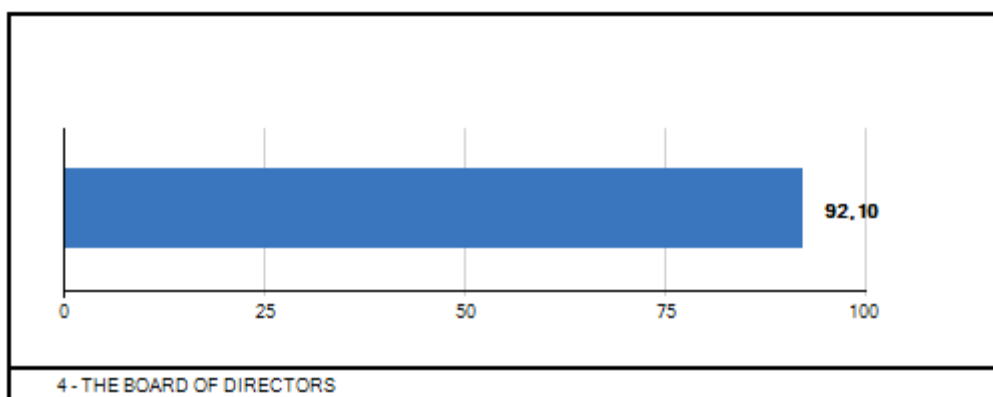
On close examination it is seen that the ethical rules are compliant with the principles and it is thought that the Company sticks with these rules in practice. Sanctions to be applied in case of an unethical behaviour by employees are set forth in disciplinary regulations and labor contracts.

The Company became a member of Ethics and Reputation Association in 2013. Ethical rules to be complied are also stated in the declaration of compliance to Corporate Governance Principles, as an appendix with 2013 annual report.

Corporate Governance Compliance Report states that there were no law suits against the Company, board members and employees between 01.01.2015-31.12.2015.

Practices of Garanti Yatırım Ortaklığı in this subsection are also in compliance with Corporate Governance Principles.

## D. BOARD OF DIRECTORS



### Overview

- ✓ Company's strategic targets, human and financial sources it requires are determined by the Board of Directors.
- ✓ Majority of Board Members are non-executives.
- ✓ Two of non-executive Board Members are independent members.
- ✓ There isn't any loan/credit involvement between Board Members and company.
- ✓ Corporate Governance, Audit and Early Detection of Risk Committees have been established and their working principles determined.
- ✓ Principles of Activity for Board of Directors have been determined.
- ✓ Possible damages to the company due to defects of Board of Directors Members while performing their duties have been insured for an amount exceeding 25 % of company's capital.
- ✓ Performance evaluation of Board of Directors has been made and shareholders were informed about it at the General Assembly. The evaluation was recorded in the meeting minutes.
- ✓ Ratio of women members in the board, target ratio and date have

been determined and policy has been prepared.

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

In this section, the Company has been assessed by 139 different criteria under the headings of **Function of the Board of Directors, Principles of Activity of the Board of Directors, Structure of the Board of Directors, Procedure of Board of Directors Meetings, Committees formed within the Structure of the Board of Directors and Financial Rights Provided for the Members of the Board of Directors and Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Bank has gained the grade of **92.10**.

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

By the strategic decisions it takes, the Board manages and represents the company keeping the risk, growth and return in balance while paying attention 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.

Garanti Yatırım Ortaklığı Board of Directors monitors company activities to be compatible to regulations, Articles of Association, internal procedures and company policies and supervises management performance.

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

Practices of the Company in this subsection are in compliance with Corporate Governance Principles.

#### **b. Principles of Activity of the Board of Directors**

Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner.

The distribution of duties and powers of members are disclosed to public in the annual report.

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

Posts of Chairman of the Board of Directors and the General Manager are hold by same person at Garanti Yatırım Ortaklığı. Shareholders are informed on the reason for this arrangement, which has been going on since the foundation of the company, at the general assembly and explanation is given in the annual report. According to this explanation, seperation of these posts was deemed unnecessary due to the line of business and operational features of the company.

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

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

Possible damages to the company due to defects of Board of Directors Members while performing their duties are insured for Garanti Bank and its other subsidiaries covered by the policy for the period between 01.01.2016 and 31.12.2016, for up to EUR 100,000.000 Garanti Yatırım Ortaklığı A.Ş. benefits from conditions of this policy. Material Event Disclosure about Manager Liability Insurance was made on 14.06.2016.

Practices of the Company in this subsection are in compliance with Corporate Governance Principles.

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

The shareholder with (A) group registered shares of company capital (Garanti Yatırım Menkul Kıymetler A.Ş) has the privilege of nominating candidates for all members of the Board of Directors. Therefore Board of Directors is shaped by shareholder with privileged shares.

Company's Board of Directors is formed with five (5) members one being the Chairman. The requirement of at least 5 members to form the Board has been met.

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 four (4) of them

are non-executives. On the other hand two (2) of non-executive directors are independent, satisfying the independence criteria laid down by Corporate Governance Principles. The independent Directors have presented their written representations to the Nomination Committee (Corporate Governance Committee) that they are independent under the legislation, the Articles of Association and the criteria laid down by the Corporate Governance Principles. The Nomination Committee has presented a report, comprising nominee proposals for independent memberships and its assessment on whether the candidate had the required criteria for independence, for the approval of Board of Directors. The Company disclosed the final list of candidates for independent memberships to public, simultaneously with the announcement of general assembly meeting.

There is no woman director on the Board of Directors. The Board of Directors determined the ratio of 25 % for women directors and targeted 2017 to realize it at its meeting on 04.02.2014, numbered 2014/2. A policy to reach these targets has been prepared.

Practices of the Company in this subsection meet requirements of Corporate Governance Principles.

#### **d. Procedure of Board of Directors 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 is determined that the Board of Directors meets regularly, at least once a month and generally more than that. Upon examination of decision book it was seen that the board made 15 meetings as of November 2016.

Each member has one voting right in the Board of Directors. There are no weighted voting rights.

It is thought that Board of Directors meetings take place in accordance with existing provisions of internal regulations and Articles of Association. Meeting processes have been written down in internal regulations.

“Board of Directors Internal Directive” includes;

- Structure, powers, duties and responsibilities of the Board,
- Qualifications of Board Members,
- Board’s meeting mode, invitation and meeting processes,
- Distribution of duties within the Board and committees,
- Bans on members.

It has been determined the Board acts in accordance with this Directive in practice.

Secretariat of the Board of Directors is undertaken by Financial Affairs Director Ali Akın Ekmekçi.

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

In order for the Board of Directors to fulfill its duties and responsibilities soundly, Audit Committee, Corporate Governance Committee, Nomination Committee and Early Detection of Risk Committee have been established. Due to the structure of the Board, a Separate Remuneration Committee has not been established. Duties of this committee are carried out by the Corporate Governance Committee. Working rules for all three committees have been determined and disclosed to public in the corporate website.

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

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



All discussions in committees are recorded in writing. It can be seen in the meeting minutes that Committees invite appropriate executives to their meetings to benefit from their opinions and suggestions.

**The Audit Committee** consists of two (2) independent members. It monitors performance and effectiveness of company's accounting system, public disclosure of financial information, as well as working and efficiency of the independent audit and internal audit and control system. The selection of independent audit company and supervision of its work at every stage is implemented by the Audit Committee.

Internal Audit Department, which reports to the Board of Directors through Audit Committee, supervises the effectiveness and performance of internal control and risk management systems of the whole Company within the scope of annual audit plan and according to risk managements. İdil Çebi has been assigned as Department Manager and Auditor. The Department prepared 1 annual and 11 monthly audit reports and presented its findings to the Board of Directors as written reports

Audit Committee convened six (6) times as of November 2016 and has one planned meeting.

**Corporate Governance Committee;** is charged with establishing whether or not the corporate governance principles are implemented in the Company, as well as the grounds for non-implementation if it is the case; conflicts of interest, if any, arising from failure to fully comply with these principles, and disclosing them to public through Corporate Governance Compliance Report.

Due to the structure of Board, a separate Remuneration Committee hasn't been established. This function is carried out by the Corporate Governance Committee.

The Committee consists of three (3) members. Committee Chairman and a

member are independent members of the Board of Directors and one member is IRD Director, who was also appointed as a member of Corporate Governance Committee in accordance with CMB Corporate Governance Communiqué number II.17-1. The change in the Committee was disclosed to public with a special case statement on 16.07.2014.

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

The Committee convened four (4) times as of November 2016 and has one planned meeting.

**Nomination Committee** was established as an independent committee (independent from Corporate Governance Committee) with Board of Directors decision dated 26.04.2016, No 2016/06. Committee comprises two independent Board Members.

**Early Detection of Risk Committee** consists of three (3) members. Its chairman and one member are independents. One member is the Director of Investor Relations Department.

The Committee convened five (5) times as of November 2016 and has one planned meeting.

Secretariat of the committee is undertaken by Financial Affairs Director Ali Akın Ekmekçi.

The fact that Mustafa Sabri DOĞRUSOY and Remzi Murat RENA are assigned to three committees is in conflict with the principle, which emphasizes that a Board Member should not be assigned to more than one committee.

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

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

Stock-options or payment plans based on the corporate performance cannot be used for remuneration of the independent directors. The emoluments of independent directors are thought to be sufficient to protect their independency.

It has been learned 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.

Legal Department has notified us in writing that within the last year there have been no law suits against board members or top executives that require administrative or punitive action.

The Board of Directors made its evaluation of performance for 2015. However, the practice of rewarding or dismissing board members on the basis of the evaluation results doesn't yet exist.

Remuneration and other benefits that are provided for members of Board of Directors and top executives are explained at the Public Disclosure Platform.

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

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>