



Corporate Governance Compliance Rating Report



Corporate Governance Association of Turkey

19 November 2015

Validity Period 19.11.2015-19.11.2016

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Corporate Governance Association of Turkey (TKYD) is compiled in accordance with 2015 / 2 Revision Corporate Governance Principles Compliance Rating Methodology for Non Governmental Organizations (NGO), which is based on CMB's Corporate Governance Principles.

The Corporate Governance Compliance 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 NGO 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).

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.

© All rights in this report belong to Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. This report cannot be printed in writing and electronically, reproduced and distributed without our permission.

TABLE OF CONTENTS

1. Rating Result and Summary of Rating Process	3
2. Rating Methodology	6
3. NGO Profile	8
4. Sections of Rating Process	
A. Shareholders	16
a. Facilitating the Exercise of Members' Rights	16
b. Responsibilities and Undertakings of Members	17
c. Right to Obtain and Examine Information	17
d. Right to Attend General Assembly	17
e. Voting Right	18
f. Relations with Volunteer Individuals and Organizations, Donors, Public Institutions and Organizations, Other NGOs	18
B. Public Disclosure and Transparency	20
a. Basic Principles and Tools for Public Disclosure	20
b. Corporate Website	21
c. Annual Report	21
C. Stakeholders	23
a. NGO Policy on Stakeholders	23
b. NGO's Human Resources Policy	24
c. Ethical Rules	24
D. Board of Directors	26
a. Function of the Board of Directors	26
b. Principles of Activity of the Board of Directors	27
c. Structure of the Board of Directors	27
d. Procedure of Board of Directors Meetings	27
e. Committees Formed within the Structure of the Board of Directors	28
f. Financial Rights Provided for Members of the Board of Directors and Executives	30
5. Corporate Governance Compliance Grades and Descriptions	31



CORPORATE GOVERNANCE ASSOCIATION OF TURKEY

CMB CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE GRADE

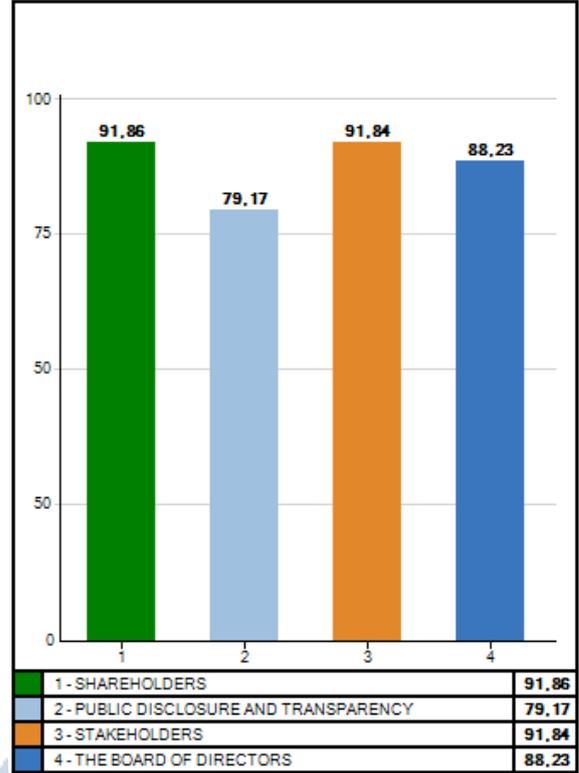
8.74

Kobirate A.Ş. Contact:

Burhan TAŞTAN (216) 3305620 Pbx

burhantastan@kobirate.com.tr

www.kobirate.com.tr



1. RATING SUMMARY

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s Corporate Governance Rating for Corporate Governance Association of Turkey (TKYD) in accordance with 2015 / 2 Revision Corporate Governance Principles Compliance Rating Methodology for NGO's is compiled through onsite examinations of the documents, interviews held with executives and persons involved, website of the Association, examination of independent audit reports for years 2013 and 2014 prepared by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and other reviews

At the end of examination of 302 criteria under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, in accordance with the Corporate Governance 2015 / 2 Revision Compliance Rating Methodology for NGO's developed by Kobirate Uluslararası Kredi Derecelendirme ve

Kurumsal Yönetim Hizmetleri A.Ş., the Corporate Governance Compliance Rating Grade of **CORPORATE GOVERNANCE ASSOCIATION OF TURKEY** is determined as **8.74**.

This result signifies that Corporate Governance Association of Turkey has achieved a considerable compliance with the CMB's Corporate Governance Principles; that awareness and culture of responsibility for its members, donors, beneficiaries and all other stakeholders is embedded within the Society; that public disclosure and transparency activities are sufficiently developed; that internal control mechanisms are formed and put into effect; that many policies and practices to develop corporate governance approach in the Association are put into effect with the policies for rules and principles to be obeyed in the Association, which have been updated by Board of Directors in March 2013. However - although it does not pose a

significant risk – it also signifies that some improvement in corporate governance practices is deemed necessary.

In view of rating process under main headings in brief;

In the section of shareholders the Association has achieved a grade of **91.86**.

Members and, to a certain extent, donors form the group of shareholders in Non Governmental Organizations (NGO). It is observed in this section that the Association has achieved a significantly good level of compliance with CMB Corporate Governance Principles. The facts that relations with members continue in a healthy fashion, that the registration book is kept updated and that there is an official responsible for giving sufficient information to stakeholders are all compatible with corporate governance principles. Sufficient care it shows to ensure members' right to obtain and review information, timely and duly convention of general assemblies and their proper invitations and making sure that voting processes in general assemblies are in compliance with legislation and Association's by-laws are also salient positive achievements in compliance with corporate governance principles.

The Association has received a grade of **79.17** for the section of Public Disclosure and Transparency. It provides access to several current data, referred by principles, on its website, which might be needed by the members, donors, beneficiaries and all stakeholders. This is found in compliance with principles. It is seen that the corporate website and annual reports are also in compliance with corporate governance principles. Annual reports, Independent Audit Reports, Fiscal Results and Internal Audit Reports are shared with public through its website and 2013-2014 Annual Report contains all information about Association's activities. These are also deemed as positive policies in this section.

In the section for Stakeholders the Association has achieved a grade of **91.84**.

Personal and corporate members, non - member donors, NGO employees and society make up NGO's stakeholders.

In this section the Association has achieved compliance with CMB's Corporate Governance Principles. It is seen that comprehensive policies are put into place for members, beneficiaries and donors. The issues concerning employees, such as job descriptions, powers, recruitment, remuneration, performance assessment, leave and social rights have been regulated with Rules and Principles policies, which were updated in May 2013.

Comprehensive ethical principles and rules covering all members, management and employees has been prepared and approved by the Board of Directors with its decision No: 20, dated 03.11.2015.

The Association has achieved a grade of **88.23** for the section of Board of Directors. It is seen that the Society has achieved a good level of compliance with CMB's Corporate Governance Principles in this section.

It is found that the Board of Directors has defined strategic targets to achieve the goals stated in the Association's by-laws. The goals of the Society are followed in an open, informative and motivating fashion for various stakeholders including members, beneficiaries, donors, volunteers, employees, media and all segments of society.

Policies below come to the forefront for this section.

Internal control mechanism has been established and it is being run effectively.

The posts of Chairman of the Board and Secretary General are held by separate individuals. Secretary General is not a member of Board of Directors. Honorary and

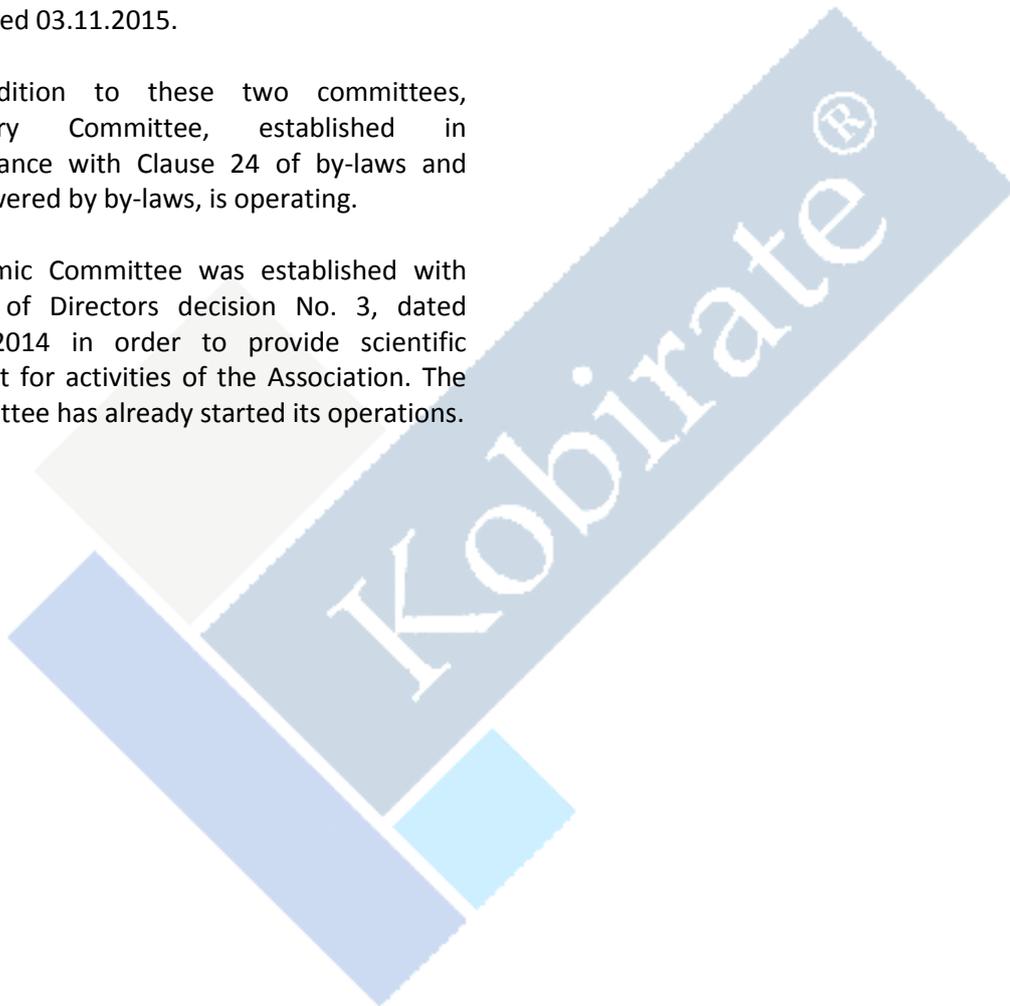
professional managements are separated with this practice.

The function of audit commission, which is referred by the principles, is undertaken by audit committee formed by many high level officials from independent audit companies. Alongside annual Independent Audit Reports, annual Internal Audit Reports are also prepared.

Working principals for Corporate Governance Committee have been prepared and approved by Board of Directors meeting No: 20, dated 03.11.2015.

In addition to these two committees, Advisory Committee, established in accordance with Clause 24 of by-laws and empowered by by-laws, is operating.

Academic Committee was established with Board of Directors decision No. 3, dated 13.02.2014 in order to provide scientific support for activities of the Association. The Committee has already started its operations.



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.

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. The principles were re – evaluated in 2002 and updated. Revisioning process for OECD Corporate Governance Principles continues in 2014-2015.

Capital Market Board (CMB) has undertaken to work on Corporate Governance in Turkey. CMB first prepared Corporate Governance Principles in 2003 and published it in 2005 after reassessment. The Board revised Corporate Governance Principles in December 2011 / February 2012 with communiqués Serial: IV No: 56 and Serial: IV No: 57. The principles were published as Communiqué No II-17.1 on 03.01.2014 after a reassessment.

The principles are under 4 main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

Apart from CMB, BRSA also prepared Regulation On Banks' Corporate Governance Principles, which was published by the Official Gazette dated 01.11.2006 and numbered 26333, putting rules together that banks should stick to.

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

A.Ş.) conducts Corporate Governance Rating with a system completely based on CMB's Corporate Governance Principles (CMBCGP). In this system, in accordance with CMBCGP, companies are analyzed under four main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

Full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is taken into consideration in this analysis.

302 different criteria are taken into consideration in order to measure the compliance of non - governmental organization with corporate governance principles. These criteria are translated into "Corporate Governance Rating Question Sets" through Kobirate A.S.'s unique software and answers from NGO's are received in electronic environment. The answers are examined and controlled by rating specialists and analysts and results are reported to Kobirate Corporate Governance Rating Committee for final decision.

Sections that CMB has determined for Corporate Governance Principles are each graded over a scale of 1 – 100 points. The weighting scheme for the four main sections to reach total grade, determined by CMB is as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

Main grade for Corporate Governance Compliance rating is reached by transferring section grades into coefficients of 10.

The NGO's grade from Corporate Governance Rating Committee would be between 0 and 10. In this grading 10 means perfect, complete

compliance with CMB's Corporate Governance Principles, while 0 means a very weak structure with no compliance with CMB's Corporate Governance Principles.

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. NGO PROFILE



NGO Name : Corporate Governance Association of Turkey
NGO Address : Yıldız Posta Caddesi Dedeman İşhanı No:48 Kat: 7 Esentepe
İSTANBUL

NGO Phone : (0212) 3476273 PBX
NGO Facsimile : (0212) 3476276
NGO Web Address : www.tkyd.org

NGO's Date of Establishment : 2003
Province of NGO's Head Office : İSTANBUL

NGO's Area of Activity : Supporting development of and increasing awareness about corporate governance in Turkey, ensuring implementation of best corporate governance practices.

NGO Representative in Charge of Rating:

Güray KARAÇAR

Secretary General

gkaracar@tkyd.org

(0212) 2765020-493

BOARD OF DIRECTORS AND AUDIT COMMITTEE AS OF 15.06.2015

Corporate Governance Association of Turkey Board of Directors

Name/ Surname	Title
Hurşit ZORLU	Chairman of Board of Directors
İlhami KOÇ	Assistant Chairman of Board of Directors
Gür ÇAĞDAŞ	Assistant Chairman of Board of Directors
Ali PANDIR	Assistant Chairman of Board of Directors
Nevra ÖZHATAY	Treasurer Member of Board of Directors
Av. Kayra ÜÇER	Secretary of Board of Directors
F.Fusun AKKAL BOZOK	Member of Board of Directors
Orhan TURAN	Member of Board of Directors
Tevfik BİLGİN	Member of Board of Directors
Uğur BAYAR	Member of Board of Directors
Feyhan YAŞAR	Member of Board of Directors
Barış DİNCER	Member of Board of Directors
Av. Aygın Buğra İLTER	Member of Board of Directors (Subs.)
Ömer ERYILMAZ	Member of Board of Directors (Subs.)
Av. Ümit İhsan YAYLA	Member of Board of Directors (Subs.)
Doç. Dr. Çağlar MANAVGAT	Member of Board of Directors (Subs.)
Selim OKTAR	Member of Board of Directors (Subs.)
Nursel İLGEN	Member of Board of Directors (Subs.)
Can ÇAKA	Member of Board of Directors (Subs.)
Mustafa DOGRUSOY	Member of Board of Directors (Subs.)

Corporate Governance Association of Turkey Supervisory Board

Name/ Surname	Title
İdil GÜRDİL	Chairman of Supervisory Board
Dr. Kemal EROL	Spokesperson of Supervisory Board
Ali Kamil UZUN	Member of Supervisory Board
Adnan AKAN	Member of Supervisory Board
Zeynep OKUYAN GÖKYILMAZ	Member of Supervisory Board

BOARD OF DIRECTORS COMMISSIONS

ADVISORY COMMITTEE

Name/ Surname	Title
Haluk ALACAKLIOĞLI	Member of Advisory Committee
Aclan ACAR	Member of Advisory Committee
Ümit HEPGÜNER	Member of Advisory Committee
Tayfun BAYAZIT	Member of Advisory Committee
Muharrem YILMAZ	Member of Advisory Committee
Mehmet GÖÇMEN	Member of Advisory Committee
Cem UŞAKLI	Member of Advisory Committee
Muhsin MENGÜTÜRK	Member of Advisory Committee

CORPORATE GOVERNANCE COMMITTEE

Name/ Surname	Title
Hurşit ZORLU	Chairman of Committee
Orhan TURAN	Member
Kayra ÜÇER	Member
Ümit YAYLA	Member
Güray KARAÇAR	Member

ACADEMIC COMMITTEE

Name/ Surname	Title
Melsa ARARAT	Member of Academic Committee
Güler ARAS	Member of Academic Committee
Sibel YAMAK	Member of Academic Committee
Oğuzhan ÖZBAŞ	Member of Academic Committee
Burçin YURTOĞLU	Member of Academic Committee
Muzaffer EROĞLU	Member of Academic Committee

Executive Managers of Corporate Governance Association of Turkey

Name/ Surname	Title
Güray KARAÇAR	Secretary General
Ahmet BALÇILAR	Administrative Manager
Başak MUŞTU	Education and Project Manager
Hande GÜRTEPE	Project Manager
Erkan DEMİREL	Design and Social Media Expert

Audit Committee

The functions of Audit Committee are undertaken by members of Supervisory Board.

Study Groups

Family-Owned Companies Study Group

Its mission is to work to have family-owned companies, which are the basic pillars of Turkish economy, adopt Corporate Governance Principles.

TKYD Responsible Board Members: Lawyer Aydın Buğra İLTER, Mustafa DOGRUSOY

Chairman of the Study Group: Mehmet ÖZDENİZ

Family-Owned Companies Management Guide (2010), Updated 5th Edition May 2013, Staying Family, Becoming Company (Updated 3rd Edition April 2014), What is this Corporate Governance, IFC Guide for Family-Owned Companies are publications prepared by the study group.

Non – Governmental Organizations (NGO) Study Group

It aims to work towards realizing TKYD's mission of developing projects and collaborations with NGO's.

Chairman of the Study Group: Dr. Yılmaz ARGÜDEN

Non – Governmental Organizations Management Guide (2014) has been prepared by the study group. Work on Foundations' Best Practices Publication continues.

Corporate Governance Rating process is started with 3 Foundations and 3 Associations. Providing benefits for Anatolian provinces is aimed within the scope of Anatolian Seminars.

Capital Market Study Group

The group continues its activities in order to strengthen relationship with regulatory institutions, to shape the opinions by playing an efficient role in corporate governance regulations and to relay current problems.

It aims to prepare Association's opinion on the agenda of capital market regulations and help other stakeholders to understand and support the issues.

TKYD Responsible Board Members: Doç. Dr. Çağlar MANAVGAT, Lawyer Ümit YAYLA

Chairman of the Study Group: Dr. Murat DOĞU

ETF Sub Study Group Chairmen: İlhami KOÇ, Gür ÇAĞDAŞ

Subjects on the agenda of Capital Market are followed, shared currently with group members, opinions are given about CMB draft communiqués and appropriate agenda and training meeting are organized.

Integrating Reporting Study Group

Corporate Governance Association of Turkey aims to support development of integrated reporting - which targets to ensure that companies use common standards and bring their financial and non - financial information together in one report – and update the business world on new developments in this field by organizing trainings, seminars and panels.

TKYD Responsible Board Member: Nevra ÖZHATAY

Chairman of the Study Group: Engin GÜVENÇ

The Group monitors the agenda on sustainability and Integrated Reporting and brief members on developments.

Board of Directors Study Group

Boards of Directors have a critical role in launching, implementing and monitoring the approach of corporate governance. Corporate Governance Association of Turkey wants to contribute to this process with its planned activities, trainings, seminary programs and other tools.

TKYD Responsible Board Members: Fatma Füsün AKKAL BOZOK, Barış DİNÇER, Ömer ERYILMAZ

Chairman of the Study Group: Dr. Burak KOÇER

Board of Directors Secretary Sub Study Group Chairman: Av. Ümit YAYLA

Work on Handbook of Board of Directors Secretary continues. The study group has already published Board of Directors Member Database and Board of Directors Self Valuation Tool.

Among group's targets is to create awareness on Board of Directors Secretary, which supervises the compliance of units and officials of the company with laws and work methods and principles which are determined by in - house documents of company. In order to have Board of Directors Secretary - which has a very important place in companies to prepare suitable atmosphere to develop corporate governance activities and to support their stable development - added to regulations, the study group organizes trainings, seminars, panels and invites expert speakers from abroad.

Consolidated Balance-Sheet Comparison of Corporate Governance Association of Turkey and its Commercial Enterprise in Certain Selected Items for 12th months of last two years

(TL)	2013/12	2014/12	Change %
Total Current Assets	706.522	726.727	2.8
Total Fixed Assets	48.383	26.235	-45.7
Total Assets	754.905	752.962	-0.2
Total Short Term Liabilities	230.512	206.555	-10.3
Total Long Term Liabilities	34.068	51.764	51.9

Source: Corporate Governance Association of Turkey 2014 Independent Audit Report

(TL)	2013/12	2014/12	Değişim %
Total Income from Operations	1.350.225	1.194.313	-11.5
Total Spending on Operations	1.126.172	1.212.643	7.6
Total Financial Income	48.545	42.470	-12.5
Net Operational Surplus	270.782	9.436	-96.5

Source: Corporate Governance Association of Turkey 2014 Independent Audit Report

Short History of the NGO

Corporate Governance Association of Turkey was established in 2003 with the mission of leading, guiding and supporting the adoption and implementation of corporate governance principles by private and public institutions in Turkey; in order to make corporate governance approach known in Turkey, contribute to its development and put it into effect through best practices. It is a voluntary NGO established in the status of association.

There are 668 individual, 36 corporate and 7 honorary members of Association. Its membership comprises Board of Directors Members and Top Executives of Turkey's sizeable industrial and commercial enterprises.

Short Information about NGO's Activities

Corporate Governance Association of Turkey (TKYD) continues sustainable activities in order to extend corporate governance process, which started in quoted companies, to family-owned companies, public sector enterprises, NGO's, political parties and sports clubs.

The Association brings international articles, researches and reports that are interesting for the business world to Turkey and prepares "**Publications, Reports and Guides**" through TKYD publications to develop perception of Corporate Governance in Turkey.

Within this frame some, of TKYD publications since 2004 are listed below:

Corporate Governance Perception Research (2015),
 Governance Guide for Non – governmental Organizations (January 2014),
 How to prepare an annual Report (2013),
 Governance Guide for Family-Owned Companies (2013),
 The Business Journalist Handbook for (2011),
 Governance Guide for Turkish Football Clubs (2010),
 Transient Caretakers (2010),
 Being a Company, Remaining as a Family, (2008),
 Reflections of Corporate Governance in Corporations (2007),
 What is this Corporate Governance? (2006),
 Corporate Governance Map of Turkey (2005),
 OECD Corporate Governance Principles (2005).

In order to bring together those institutions and enterprises that adopted corporate governance approach at right platforms TKYD developed the tradition of organizing Turkey's first and only "**International Corporate Governance Summit**" where professionals of business world, representatives of public sector, representatives of regulatory authorities, members of company boards of directors, academicians, representatives of family companies, representatives of media

and press and everyone who has an interest in the subject come together. 7th International Corporate Governance Summit took place in January 2015.

TKYD's "**Corporate Governance Awards Project**" aims to create awareness on the subject and to make best practices known. Since 2011, as part of Corporate Governance Summit, which is organized every year in January, this project has been giving Corporate Governance Awards in 6 categories to companies on the BIST Corporate Governance Index, taking their rating grades into account.

"**Training Programs**" organized by TKYD have been continuing since 2005 without interruption. TKYD's trainings aim to share knowledge and know – how in corporate governance and related fields and thus to support development of best practices through national and international collaborations. Some examples of training programs conducted by the Association are listed below:

Mergers, Divisions and Taking over Training Program,
Corporate Governance Principals Communiqué Program,
Continuous Liabilities Training Program for Quoted Companies,
Board of Directors Membership Specialty Training Program,
General Assembly Processes Training Program,
Partnership Rights Training Program According to New Regulations,
Finance Ministry Internal Auditor Candidates Training Program,
Family Constitution Training Program,
Fortune Management and Family Office Training Program,
Corporate Governance Communiqué and Declaration Obligations Training Program,
Early Identification of Risks Training Program According to Turkish Commercial Law,
Reporting Standards Training Program,
Investor Relations Duties and Responsibilities Training Program.

Since 2010 TKYD brings new developments in the field of Corporate Governance into the agenda through "**Panels that it organizes with National and International Cooperations**".

Among these panels are;
Corporate Governance in Football Panel,
Making Decisions and Leadership Panel,
Where the balance would be formed in Football Industry Panel,
Responsibilities of Board of Directors Members Panel,
"Changes and Outstanding Practices in CMB Corporate Governance Principles Panel,
Assessment of Turkish Commercial Law within the frame of Corporate Governance in the Light of Recent Changes Panel,
"Corporate Governance Practices in Family Companies" Panel,
Integrated Reporting Istanbul Panel.

TKYD's Institutionalization in Family Companies and Solution Proposals Panel and Board of Directors Membership Specialty Training Program have been held in provinces of Izmir, Gaziantep, Denizli, Eskişehir, Antalya, Kayseri, Diyarbakır, Kocaeli, Ankara, Adana, Bursa, Trabzon, Erzurum and Konya since 2007. Programs in Anadolu have been continuing uninterrupted.

With quarterly published "**Corporate Governance Magazine**" TKYD aims to provide most current and refined information about Corporate Governance. The magazine started in January 2008 and its **29th issue is published as of autumn 2015.**

Family-Owned Companies Study Group, Football Industry Study Group, Non – Governmental Organizations (NGO) Study Group, Capital Market Study Group and Board of Directors Study Group have been formed within TKYD. These **Study Groups** aim to produce reference information on their subjects and work of some of them has been made into reference books.

TKYD supports implementation of best practices through training programs it organizes on subjects related to corporate governance. These programs are enriched with “Training of Trainers”, organized with “**International Collaborations**” and attract the attention of boards of directors, family companies and professionals who want to develop corporate governance practices in their enterprises.

There are books, articles, researches, opinions and presentations prepared by international organizations active in corporate governance, as well as NGO’s, universities and business world in TKYD’s “**Corporate Governance Library**”. As of 30.06.2015, the library has an important archive of 696 publications and periodicals.

Although it is prepared in Turkish and English, Corporate Governance Library also has publications in other languages. Publications in other languages contain summaries in English.

Subjects of TKYD’s agenda are discussed at **Agenda Meetings**. Alongside these meetings, TKYD reaches most current information on corporate governance through **periodical** and **non – periodical publications** and **corporate website**.

Commercial Enterprise

Commercial Enterprise of TKYD

Activities

Commercial Enterprise has been operating since 01.08.2006, in parallel to the Association in order to get commercial income. Its aim is to help in Training, Publication, Seminary and Congress organizations and to develop professional careers of other stakeholders.

Corporate Governance Association of Turkey

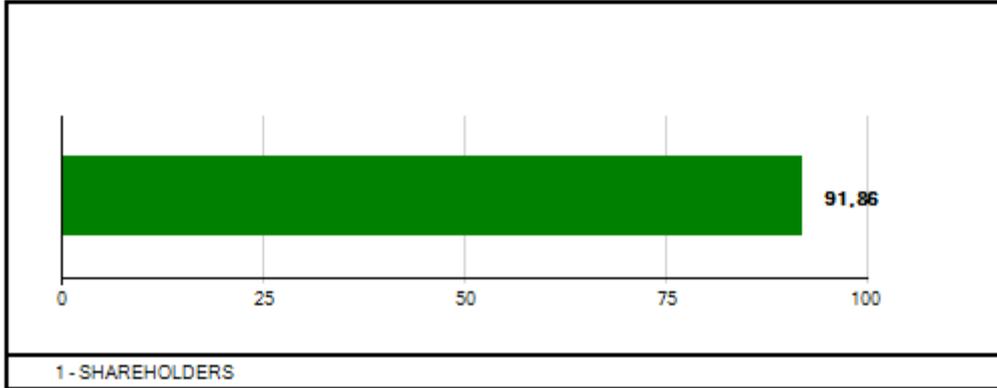
Number of Individual Members as of 30.06.2015: 668

Number of Corporate Members as of 30.06.2015: 36

Number of Honorary Members as of 30.06.2015: 7

4. RATING SECTIONS

A. SHAREHOLDERS



Overview

- ✓ There is a director of Association who conducts relations with members.
- ✓ All information necessary to exercise rights of membership is given.
- ✓ Member registration is conducted in accordance with existing laws, regulations and Association's by-law.
- ✓ There is no restriction for members to leave membership.
- ✓ Member registration book is kept updated.
- ✓ General assemblies are held within their timeline and in accordance with laws, regulations and Association's by-law.
- ✓ Each member has one voting right.
- ✓ There are no provisions that make it difficult to exercise voting right.
- ✓ Information document to explain general assembly agenda items is prepared.

Shareholder rights defined by CMB in Corporate Governance Principles are exercised by members of Association in NGO's. The concept of shareholder partly covers donor members.

In this section TKYD has been evaluated under 6 sub headings of **Facilitating the Exercise of Members' Rights, Responsibilities and Undertakings of Members, Right to Obtain and Examine Information, Right to Attend General Assembly, Voting Right and Relations with Volunteer Individuals and Organizations, Donors, Public Institutions and other NGO's**, according to 86 different criteria. The Association's grade for this section is 91.86.

a. Facilitating the Exercise of Members' Rights

Activities within the scope relations with members include; Relations with Association members, membership procedures (application, conclusion and notification), giving information to members, collecting and monitoring payments of annual fees and general assembly activities. Administrative Manager Ahmet BALCILAR handles relations with members at TKYD. It is observed that he has the required knowledge and experience for this job. It is learned that written membership applications are examined in accordance with the criteria of Association's by-law and sent to the Board of Directors and a positive or negative answer is given to the

applicant within maximum 30 days. It is observed that the relevant employee monitors member registration book and registries are kept in order and current.

All necessary and current information that may affect exercise of membership rights is presented to the members at TKYD's corporate website.

It is also determined that there is no restriction on leaving membership after a member makes a written application to this end in accordance with Article 11 of Association's by-laws.

It is our opinion that TKYD has achieved a good level of compliance with principles in this subsection.

b. Responsibilities and Undertakings of Members

The members act in parallel with the purpose of Association, being aware of the fact that it is a social service organization based on voluntary support. The Association was established in 2003 and as of 15.11.2015 it had 668 individual, 36 corporate and 7 honorary members. Membership comprises persons who are members of board of directors or top level executives in Turkey's leading enterprises and institutions. The members act with consciousness, culture and responsibility consistent with the Association's targets.

Members join equally to the payments that are necessary for the purposes of the Association. It is our opinion that TKYD has achieved very good level compliance with principles in this subsection.

c. Right to Obtain and Examine Information

Information necessary for healthy exercise of membership rights is provided for the members and Association's website (www.tkyd.org) is used efficiently to this end.

Information requests by members through phone or other communication means are answered by the officials of Association in the shortest possible time.

It is also seen that members are notified about important developments in the Association through e-mail or mail and these notifications are also published on the website.

There is no ban or restriction on members' right to obtain and examine information due to the Association's by-laws or any departments of the Association.

Right to obtain and examine information is extended to cover beneficiaries, donors and all segments of society, as well as members.

TKYD is independently audited by DRT Bağımsız Denetim Ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and audit reports are disclosed to public on Association's website.

It is our opinion that TKYD sufficiently cares about having its members exercise their right to obtain and examine information.

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

d. Right to Attend General Assembly

It is determined that TKYD General Assembly meetings take place in accordance with 14th, 15th, 16th, 17th, 18th and 19th articles of Association's by-laws, which regulate General Assembly meetings.

In accordance with 14th Article of Association's by-laws, Financial General Assembly is held annually and Ordinary General Assembly with elections biannually in March, at the location of Association

General Assembly meetings are held every year. In addition to methods envisaged by regulations, meeting announcements are made through every means of communication in order to reach maximum possible number of shareholders. Announcements are

published in local press and put on the corporate website of TKYD (www.tkyd.org).

Ordinary General Assembly with elections for activities of 2014 was held on March 23, 2015.

Annual report, financial charts, audit report, independent audit reports, budget proposal and other documents about issues to be discussed at General Assembly meeting are sent to members through e – mail.

Upon examination of General Assembly documents it has been seen that the list of members who have the right to attend General Assembly has been prepared and made available at the meeting; the members have signed in front of their names on the list before attending the meeting and there have been no restrictions on expressing their views.

According to Article 16/7 TKYD's Association's by-laws, only items on the agenda are discussed at General Assembly meetings. However, it is obligatory to put subjects on the agenda if they are demanded by at least 1/10th of attendants at the meeting. It is determined that thanks to this provision it is possible for members to add an item on the agenda, which is prepared by the Board of Directors.

Special care is also given to express the items clearly in order not to cause different interpretations and to avoid using expressions like "other" or "various".

Upon examination of General Assembly meeting minutes and list of attending members, it is determined that member of Board of Directors and Supervisory Committee, officials who prepare financial statements and relevant personnel for urgent items of the agenda attended the meeting. It has been seen that the items on the agenda were separately voted and the results were shared with shareholders before the closure of the meeting.

It is also determined that the chairman of the meeting has taken great care to have the issues of the agenda expressed objectively, comprehensively, clearly and simply. Members were able to express their opinions and ask questions under equal conditions.

Non - attendance of candidates for Board of Directors at General Assembly meetings, not giving information about them to members at the meeting and not giving members the right to ask questions to the candidates are seen as areas in need of improvement in terms of principles.

In this subsection TKYD has achieved good level compliance with principles.

e. Voting Right

Voting right is regulated in Article 16 / 8 of Association's by-laws as: "Each member has one vote and the vote should be cast personally. Honorary members cannot vote. Voting right of a corporate member is used by the Chairperson of Board of Directors or by someone who is charged by him / her."

It would be appropriate for the NGO to make internal regulations stating that those NGO members who themselves, their parents or their children have a lawsuit against or conflict with the NGO cannot use their voting right in the disputed issue with the NGO.

It is seen in this subsection that TKYD ensures use of voting right in accordance with its internal regulations.

f. Relations with Volunteer Individuals and Organizations, Donors, Public Institutions and other NGO's

TKYD's aim is regulated in Article 3 and subjects for its activities are regulated in Article 4 of Association's by-laws. It is observed that, as required by its regulations, TKYD cooperates with local associations, institutions, other NGO's, CMB, BIST, TOBB, TUSIAD, as well as international organizations such as World

Bank, OECD and EU in order to get support in terms of knowledge, know - how and program. Aim of these cooperations is to support development and proliferation of Corporate Governance in the atmosphere of democratic free market. The Association also puts great effort to have best practices of Corporate Governance adopted in our country.

Some examples for TKYD's international collaborations are:

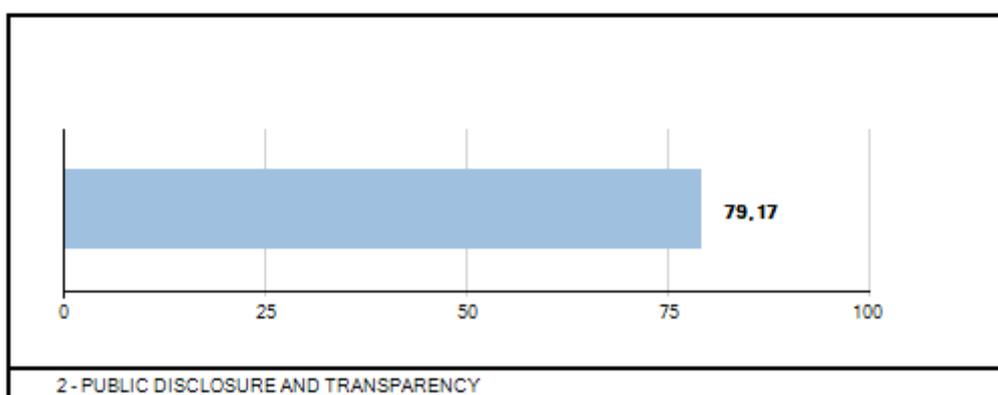
IIRC Council Meeting, International Woman Directors Conference, OECD Middle East North Africa Corporate Governance Round Table Meeting, IFC Corporate Governance Scorecards Vienna Meeting, OECD Turkey 3rd Stage Scrutiny Meeting, International Institute of Directors (IoD) Network Meeting and G 20 OECD Corporate-Governance Forum.

40th "Anatolian Seminars" has been organized in Mersin with the cooperation of TKYD and Ethics & Reputation Society (TEİD). This event was supported by **TURKONFED**, Dünya newspaper, International Finance Corporation (IFC) and **İş Yatırım Menkul Değerler A.Ş.**

TKYD continuously develops collaborations with public institutions and other NGO's in order to support development of corporate governance perception in Turkey and it holds the position of leadership in this field.

It is our opinion that in this subsection TKYD has achieved rather good level compliance with principles.

B. PUBLIC DISCLOSURE AND TRANSPARENCY



Overview

- ✓ Disclosure policy has been prepared in detail.
- ✓ Website is used as an effective tool to enlighten public with updated information as required by the principles.
- ✓ The information and documents, which are required by principles to be put on the website, cover last 5 years.
- ✓ The content of the annual report is good and in compliance with the principles. However there are some small areas where the report should be improved.
- ✓ Ethic principles and rules have been prepared in detail.

As for this section, TKYD has been assessed by a total of 48 criteria under three (3) subsections of **Basic Principles and Tools for Public Disclosure, Corporate Website and Annual Report** and received the grade of **79.17**.

a. Basic Principles and Tools for Public Disclosure

TKYD fulfills its public announcements under its Disclosure Policy prepared by the Board of Directors and required to be shared with public at the corporate website.

Basic tools that TKYD uses for public disclosures are Corporate Website, Annual Reports, General Assembly Meetings, E-bulletin, Corporate Governance Magazine, which is published quarterly by TKYD and Social Media (Facebook, Twitter, Youtube, LinkedIn).

Corporate website and annual report are assessed under their relevant subsection headings.

Information on trainings, meetings and other developments about the Association is sent to e – mail addresses of 668 members through E-bulletin and latest developments are disclosed to public.

It is observed that the Association uses social media (Facebook, Twitter, Youtube, LinkedIn) actively to reach share information with its members.

Financial statements and footnotes of the Association are prepared in accordance with current regulations and international accounting standards and audited by independent audit companies.

Independent audit reports and footnotes are disclosed to public in appendixes of annual reports and on corporate website.

It has been learned that there is no lawsuit against and / or by the Association at an amount that might have an impact on its financial situation and /or activities.

Information to be disclosed for public is published on the Association's corporate website at the address of (www.tkyd.org) in a true, timely, comprehensible, interpretable and easily accessible fashion.

The disclosure policy includes method for disclosing information on future. It is observed that assumptions and the data that these assumptions are based on are disclosed and information doesn't have exaggerated foresights.

It will be appropriate to disclose Ethical Principles and Rules, which have been prepared by the Board of Directors, to public within the scope of disclosure policy.

In the subsection of basic principles and tools for public disclosure TKYD has achieved good level compliance with the principles.

b. Corporate Website

TKYD's Corporate Website (www.tkyd.org) is being used as an active and efficient platform for public disclosure and the information on the website is continuously updated. The Association's goal is disclosed on the website in a clear, understandable and inspiring manner, without leaving room for different interpretations. Donation and aid methods, as well as bank account information are stated in a noticeable fashion. Information on subjects like membership or being donor or beneficiary are also published in an attention grabbing manner and documents for them are easily accessible.

The corporate website covers the management structure of the Association as of the latest situation Association's by-laws, Board of Directors Annual Reports for the last 5 years, periodical Financial statements and Reports, General Assembly Invitations, Meeting Agendas, other Information,

Documents and Reports about Agenda Items, General Assembly meeting minutes, Board of Directors Committees, their Working Regulations, information about Commercial enterprise and many other information.

There is also a Frequently Asked Questions section on the website where information requests, questions, complaints, denunciations, as well as their answers are kept.

The information on the website is also published in English, in consistency with Turkish content.

In this subsection the Association has achieved good level compliance with the principles.

c. Annual Report

Board of Directors of the Association prepares an annual report at the end of each year about activities and results of that year. Annual reports for the last 5 years are disclosed to members, donors, beneficiaries and public through electronic environment.

Annual reports contain information on;

- Goal, Vision, Mission of the Association,
- Activities towards the goal in the past and the period that is under examination,
- Realization of planned activities,
- Members of Board of Directors and Supervisory Board.

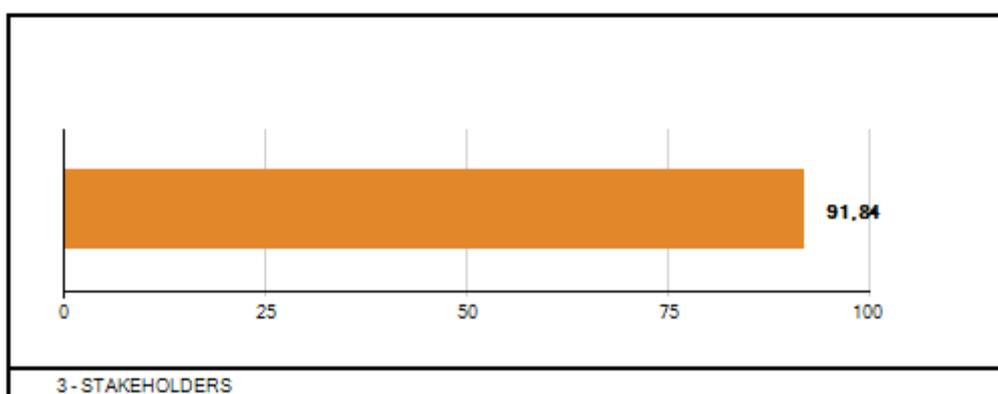
Having the subjects below in the annual report, which is prepared at the end of each year, will support development of Association's Compliance with Corporate Governance positively;

- The changes in the Association's by-laws and their reasons, if there are any changes,
- Conflicts of interest between the Association and management, public institutions and other NGO's and policies implemented to prevent them,

- Internal control system and information on whether it works soundly or not,
- Corporate Risk Management Policy and practices,
- Supervisory Board and Independent Auditor Reports,
- Management and use of real estates and resources,
- Activities to increase Donations and Resources,
- Organization and management structure and changes in this field,
- Subcommittees of Board of Directors and their duties and responsibilities,
- Final Accounts for 2014 and Budget Proposal for 2015,
- Declaration of Board of Directors and Executives on the correctness of Financial tables and footnotes,
- Lawsuits started against and / or their probable results.



C. STAKEHOLDERS



OVERVIEW

- ✓ There are no regulations that make it difficult for the stakeholders to exercise their rights.
- ✓ Safe and enjoyable working environment is provided for the employees.
- ✓ A comprehensive human resources policy and an education policy have been prepared.
- ✓ There are guidelines for recruitment, promotion, rewarding and discipline and these regulations are respected in practice.
- ✓ The Association has prepared remuneration and compensation policy for its employees.

TKYD's stakeholders are its employees, beneficiaries, companies, donors and society.

As for this section, TKYD has been assessed by a total of 49 criteria under three (3) subsections of **NGO Policy on Stakeholders**, **NGO's Human Resources Policy** and **Ethical Rules** received the grade of **91.84**.

a. NGO Policy on Stakeholders

The Association's target, goal and its fields of activity are determined in 3rd and 4th Articles of Association's by-laws and they provide guidelines on how the Association would serve outside stakeholders, with its members

and volunteers and what kinds of services it would provide. The vision and mission of the Association have been prepared by the Board of Directors.

It is observed that the stakeholders' rights, specified in regulations and mutual contracts are protected and respected. The impression is that in case of lack of any regulation, the Association respects stakeholders' rights within goodwill rules and its means.

Policies and procedures concerning protection of stakeholders' rights are disclosed to stakeholders through corporate website and in the Rules and Principles Book. Sharing remuneration and compensation policies with public would improve compliance with the principles.

With the Rules and Principles document, which was updated by TKYD in March 2015, internal regulations about Association activities have been prepared the priority was given to applying corporate governance principles in Association's activities. The Association also determined its human resources policy with this document. The document also launched procedures in the subjects of Membership, Description of Association's Commercial Enterprise and its relationship with the Association and in subjects relevant to Association's activities

such as Membership, Publishing, Website, Computer Network, Members' Panels and Anatolian Seminaries, Budgeting, Budget Monitoring and Reporting, Event Announcements and Media Communication and Getting Help from Abroad.

All the revenues of the Association, including Membership Registration Fee, Income from Commercial Enterprise, Donations and Aids sent domestically or from abroad, Income from Trainings and Activities and other income received within the frame of Collecting Aid Act are used in accordance with the goal of Association. No discrimination based on language, religion, political opinion, etc. takes place in the acceptance of membership or in the use of membership rights.

It is observed that members and beneficiaries are included in goals and activities of the Association through organized events, thus ensuring voluntary support for TKYD.

Members and beneficiaries are sufficiently informed about Association's activities. It helps to increase Association's reach to wider segments of the society.

It is seen that Board of Directors and executives of the Association are using revenues of the Association to create income for it, above or equal to market averages.

It is our opinion that TKYD has achieved good level compliance with the principles.

b. NGO's Human Resources Policy

Article 2 of Rules and Principals document - updated in March 2015 - describes the organizational structure of TKYD.

According to the organization scheme of the Association; Güray Karacar works as Secretary – General, Ahmet Balcılar as Administrative Director, Başak Muştu as Training and Project Director, Hande Gürtepe as Communication and Project Director and Erkan DEMİREL as Design and

Media Specialist. Association's activities are conducted by a team of 5.

Principles and rules about Association's human resources who conduct activities towards achieving TKYD's goal are determined by the Board of Directors' Decision Number 3, dated 17.12.2003. They describe duties and powers of Secretary General, Administrative Director, Training and Project Director, Communication and Project Director and New Business and Project Director. However these principles and rules do not contain talents that staff needs to have.

It is observed that precautions are taken to prevent discrimination on the basis of race, religion, language and gender, to respect human rights and to protect employees against physical misbehaviors and mobbing.

Salary raises are done once a year, in Accordance with Article 2.6.7 of TKYD Rules and Principles document. Salary arrangements and three month net salary / bonus policies are also implemented depending on performance evaluation.

Board of Directors have prepared a Compensation Policy for the employees of Association and disclosed it to public through corporate website.

In this subsection TKYD has achieved compliance with the principles to a great extent.

c. Ethical Rules

Board of Directors has prepared Ethical Principles and Rules. After the approval of Board of Directors, Ethical Principles and Rules have been published on the Association's website and disclosed to public.

They contain many rules and provisions including;

Board Members, Employees and Members should always stay within the frame of laws,

regulations and TKYD's internal regulations as they do their tasks,

They should not discriminate on the basis of language, religion, philosophical belief, political opinion, race, gender and etc. as they do their tasks,

Board of Directors, executives and employees cannot be in commercial transactions with the Association,

Board of Directors, executives and employees should avoid wasting Association's resources,

Receiving gifts and profiting from Association's activities are banned,

Binding or untrue statements are banned,

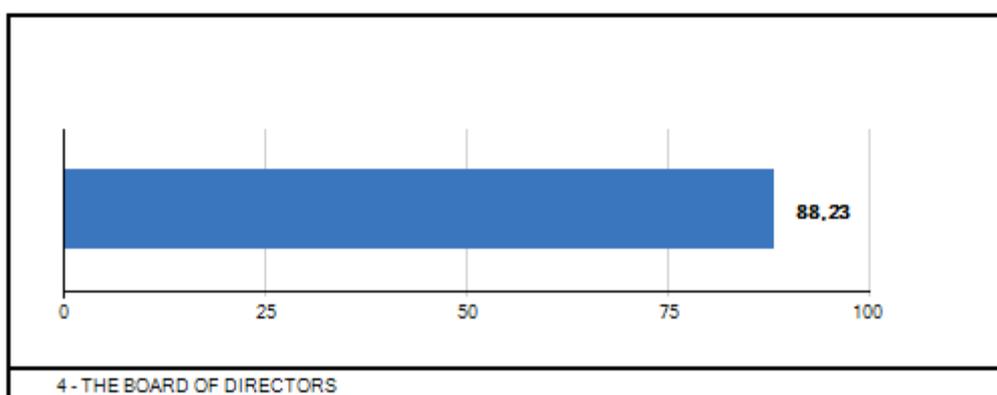
It is necessary to be informative, open and participatory and directors should be accountable.

It is learned that Board of Directors has given necessary information to ensure the implementation of these comprehensive principles by the management and employees.

We have the impression that a safe working environment and conditions for the employees have been provided and are continuously being improved.

In this subsection, TKYD has achieved very good level of compliance with the principles.

D. BOARD OF DIRECTORS



Overview

- ✓ Association's strategic targets, human and financial sources it requires are determined by the Board of Directors.
- ✓ The number of Board Members is adequate for them to work productively and constructively.
- ✓ There are three women members of the Board of Directors.
- ✓ Every Board Member has one vote.
- ✓ There isn't any loan/credit involvement between Board Members and the Association.
- ✓ Supervisory Board conducts efficient internal audit.
- ✓ Remuneration principles for directors and employees have been determined and disclosed to public.
- ✓ Board of Directors has established Corporate Governance Committee.

In this section, TKYD has been assessed by **119** 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 Members of the Board of Directors and Executives**, for which the Association has gained the grade of **88.23**.

a. Function of the Board of Directors

The Board of Directors determines strategies and targets towards achieving Association's goal, makes plans to reach targets and continuously assesses degree of achievement, activities and past performance.

This efficient assessment includes reflecting financial situation and results to accounting records, ensuring compliance with international accounting standards and verifying the correctness of financial information.

The Board of Directors has presented the NGO's goal in a clear, informative and motivating fashion to stakeholders including members, beneficiaries, volunteers, donors, Association staff, media and public.

The Board of Directors has established internal control mechanisms that can minimize the effects of possible risks and they work actively.

The Board of Directors has established a healthy communication between members, donors, beneficiaries and other stakeholders.

It is observed that The Board of Directors has prioritized functions like increasing to the NGO, budgeting, monitoring and evaluation, strategic planning, resource creation and improving corporate capacity.

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

b. Principles of Activity of the Board of Directors

TKYD's administrative structures, their powers, duties and responsibilities are clearly described in detail in the 3rd Section of Association's by-laws.

In the 2nd Section of Association's Rules and Principles document, which includes provisions about Board of Directors activities, principles of activities for Board of Directors, its duties and powers, criteria for the duty and tenure of chairperson, its authority to represent and bind are clearly stated.

Board's number of meetings, minimum number to convene, minimum number to take a decision, frequency of meetings, the way decisions are taken and recorded are regulated by Board of Directors Principles of Activity.

The Board of Directors has enabled general assembly meetings to convene in compliance with regulations and NGO's Articles of Association and it implements decision taken at these meetings.

The Board of Directors is in continuous and effective cooperation with managers while performing its duties and responsibilities and it is learned that managers attend Board of Directors meetings whenever necessary.

It would be appropriate for Association's Board of Directors to prepare a policy in order to prevent conflict of interest between stakeholders.

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

c. Structure of the Board of Directors

According to the 20th Article of Association's by-laws, Board of Directors comprises 11 full and 9 substitute members. Unless a decision is taken in accordance with Article 17 of Association's

by-laws members for Board of Directors and Supervisory Board are elected by secret balloting. As a principle, the Board of Directors comprises members who are highly knowledgeable, talented, qualified and well respected by the society and can contribute strongly to the realization of Association's goals.

The requirement for minimum number of members demanded by principles has been met and the number is sufficient for Board Members to serve effectively and constructively and to form and arrange organization of committees. Existence of three women in the Board of Directors is deemed as a positive point.

Chairmanship of Board of Directors and the position of Secretary General are undertaken by different persons. Thus, strategic management and executive management are separated and authority to take decisions is divided between these two boards.

People who are convicted of crimes below and received jail sentences for more than 5 years are not made members of Board of Directors, even if they are pardoned by legal authorities; "Embezzlement, qualified embezzlement, taking bribe, stealing, conning, forgery, misusing beliefs, false bankruptcy, smuggling crimes, to conspire to rig state tenders or disclosure of state secrets, tax evasion, attempting or joining tax evasion."

In this subsection, TKYD has achieved rather good level compliance with the principles.

d. Procedure of Board of Directors Meetings

According to Article 20 of Association's by-laws - which describes forming the Board of Directors – Board of Directors comprises 11 full and 9 substitute members who are elected for a period of two years.

At its first meeting after the election, Board of Directors decides on distribution of positions within the Board and determines Chairperson, Vice Chairpersons, Secretary General and Treasurer.

At the first meeting of the Board of Directors after TKYD General Assembly on 30.03.2015; Hürşit ZORLU became Chairman, İlhami KOÇ, Ali PANDIR and Gür ÇAGDAŞ Vice Chairmen, Nevra ÖZHATAY Treasurer and Kayra ÜÇER Secretary of Board of Directors.

Principles of Activity for the Board of Directors are described in Article 21 of Association's by-laws. According to its principles of activity, the Board of Directors routinely convenes at least once a month at the headquarters of Association. The Board convenes with at least half of the members plus one member and takes decision with majority vote.

According to Article 25 of Association's by-laws, members of Board of Directors and Supervisory Board are accepted as resigned their membership if they did not attend three successive meetings without excuses within a period or if they did not attend more than half of the meetings with an excuse.

TKYD Board of Directors held 4 meetings with sufficient attendance in 2014 and 3 in 2015.

Every member has one voting right at the meetings of Board of Directors and there is no right of weighted voting for members. The necessary majority to take decisions at the meeting is described in the Association's by-laws.

A secretariat, reporting to Chairperson, has been formed in order to serve all members of the Board and to keep regular records. The secretariat function is undertaken by the Administrative Directorship of the Association.

In this subsection, the Association has achieved very good level of compliance with the principles.

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

Sufficient number of committees and boards has been formed in order for the Board of Directors fulfills its duties and responsibilities soundly. Audit Committee and Corporate

Governance Committee, which are referred by the principles, have been established. Advisory Board, Academic Board and Study Groups have also been formed and their principles of activity are determined by the Articles of Association / Association's Rules and Regulations document / Board of Directors.

(Boards and committees as of 30.09.2015 are described below)

Supervisory Board, Audit Committee:

Duties and powers of Audit Committee are described in Article 23 of Association's by-laws.

Supervisory Board is elected by the General Assembly as five full and three substitute members.

Supervisory Board is responsible for monitoring Association's activities to ensure that they are in line with the goal and fields of activity specified in the Association's by-laws, to ensure that books, accounts and records are kept in accordance with regulations. The Board uses principles and methods described in the Association's by-laws, to supervise activities within periods no more than a year and reports the results to the Board of Directors and General Assembly, when it is convened.

Supervisory Board convenes once a month at the headquarters of the Association and holds 12 meetings annually.

According to Article 23/4 of Association's by-laws, Internal Audit can be conducted by the General Assembly, Board of Directors and Supervisory Board or by independent Audit Companies. Internal Audit of the Association is conducted by members of Supervisory Board, who are all top executives in independent audit companies of Turkey.

Supervisory Board held 5 meetings in 2014 and 2 in 2015.

Members of Supervisory Board:

Name Surname	Duty
İdil GÜRDİL	Member of Board of Directors (Chair)
Dr. Kemal EROL	Member of Board of Directors (Member)
Ali Kamil UZUN	Member of Board of Directors (Member)
Adnan AKAN	Member of Board of Directors (Member)
Zeynep OKUYAN GÖKYILMAZ	Member of Board of Directors (Member)

Corporate Governance Committee:

Name Surname	Duty
Hürşit ZORLU	Member of Board of Directors (Chair)
Orhan TURAN	Member of Board of Directors (Member)
Kayra ÜÇER	Member of Board of Directors (Member)
Ümit YAYLA	Member of Board of Directors (Member)
Güray KARAÇAR	Secretary General (Member)

Corporate Governance Committee is formed in accordance with Article 22 of Association's by-laws. It is responsible for monitoring all activities and transactions of the Association to ensure efficient implementation of corporate governance principles and for presenting its reports and suggestions of improvement in these areas to the Board of Directors. Thus the Committee helps the Board of Directors in ensuring best compliance with corporate governance principles in Association's all activities and transactions, as well as in preparing strategies and policies to achieve these targets.

Regulation of Principles and Methods of Activities for Corporate Governance Committee was approved by the Board of Directors on 03.11.2015 at the meeting number 20 and put into effect immediately.

Advisory Board:

In accordance with Article 24 of Association's by-laws, Advisory Board comprises Founding

Members of the Association, previous Chairmen of Board of Directors and two honorary members selected by the Board of Directors. Advisory Board convenes whenever necessary.

Among the duties of Advisory Board are to conduct activities in order to increase respect for Corporate Governance endeavors in Turkish public opinion, to make suggestions; to state its opinion on Association's activities, facilities, projects, changes and designs; to express opinions on demands of Board of Directors in other subjects.

Members of Advisory Board:

Name Surname	Duty
Av. Ümit HERGÜNER	Member of Advisory Board
Aclan ACAR	Member of Advisory Board
Dr. Haluk ALACAKLIOĞLU	Member of Advisory Board
Yılmaz ARGÜDEN	Member of Advisory Board
Uğur BAYAR	Member of Advisory Board
Muharrem YILMAZ	Member of Advisory Board
Tayfun BEYAZIT	Member of Advisory Board

Academic Board:

Academic Board was formed with Board of Directors decision dated 13.02.2014 and numbered 3 in order to provide scientific support for the Association.

Members of Academic Board:

Name / Surname	Title
Melsa ARARAT	Academic Board Member
Güler ARAS	Academic Board Member
Sibel YAMAK	Academic Board Member
Oğuzhan ÖZBAŞ	Academic Board Member
Burçin YURTOĞLU	Academic Board Member
Muzaffer EROĞLU	Academic Board Member

Information on study groups is given at the section of Association profile.

Forming committees on Resource Development and Training under the chairmanship of Board members bring the compliance with principles to an upper level.

It is our opinion that in this subsection the Association has achieved good compliance with the principles.

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

Services of members of Board of Directors are honorary for the Association; therefore no payments are made as wages or attendance fee.

It is found that the Association has not lent and extended loan to any member of Board of Directors and have been very careful to prevent misuse of resources. The Association has neither provided securities such as surety in favour of members of Board of Directors.

The impression is that the directors conduct Association's activities within the scope of its mission, vision, strategies and policies and that they act in accordance with financial and operational plans, which are annually approved by the Board of Directors.

Duties and powers of Secretary General are clearly described in the Rules and Principles document, which was updated in March 2015. It is observed that the Director who has been appointed as Secretary General is an expert in his field, with sufficient knowledge and managerial experience. Secretary General works full time for the Association.

Remuneration for directors is described in section 2.6.7 of Association's Rules and Principles document. The principles for remuneration of directors are written down. The fact that a procedure has been formed and disclosed to public is deemed as a significant practice in terms of compliance with corporate governance principles. Disclosing wages and all benefits to public through the annual report will further improve compliance with the principles.

In this subsection, the Association has achieved rather good level compliance with the principles.

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

GRADE	DEFINITIONS
9-10	<p>The NGO 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 NGO might be exposed are recognised and controlled effectively. The rights of the members 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.</p>
7-8,9	<p>The NGO 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 NGO may be exposed are identified and can be managed. Benefits of the members 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.</p>
6-6,9	<p>The NGO 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 members 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.</p>

GRADE	DEFINITIONS
4-5,9	<p>The NGO 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 NGO 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 members and stakeholders, public disclosure, transparency, the structure and working conditions of the Board.</p>
< 4	<p>The NGO 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 NGO 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 members and the stakeholders, public disclosure, transparency, structure and working conditions of the Board.</p>

