



Corporate Governance Compliance Rating Report



İzocam Ticaret ve Sanayi 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 İzocam Ticaret ve Sanayi A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, printed on Official Gazette dated January 3rd 2014, numbered 28871; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Clause 2 - Article 5 of Communiqué no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

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

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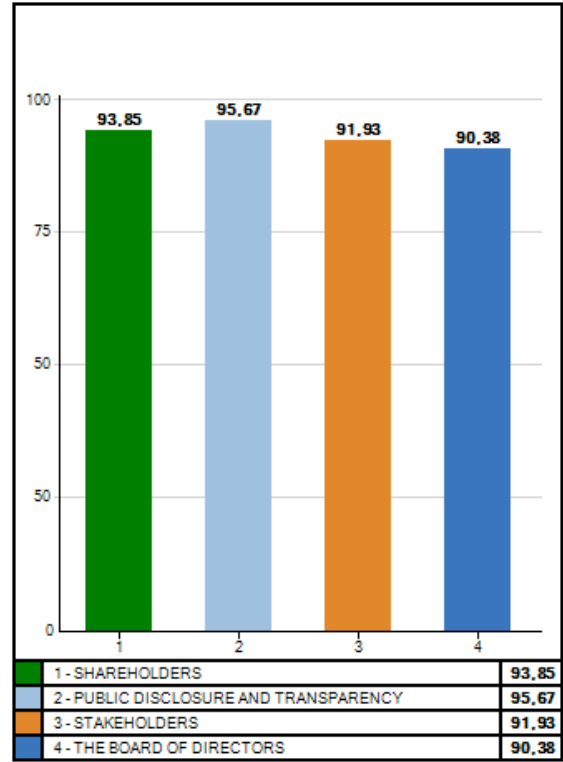
İZOCAM SANAYİ VE TİCARET A.Ş.

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

9.28

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RATING SUMMARY

The process of rating of compliance of İZOCAM SANAYİ VE TİCARET A.Ş. with the Corporate Governance Principles has been 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 CMB's Corporate Governance Principles Communiqué no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

According to CMB Bulletin dated 08.01.2016 and numbered 2016/1, İzocam Sanayi ve Ticaret A.Ş. is on BİST 3rd Group Companies list. At the end of examination of 399 criteria under the main headings of Shareholders, Public Disclosure and Transparency,

Stakeholders and Board of Directors as specified in the CMB's Corporate Governance Principles and according to the methodology of Kobirate A.Ş., developed for "Third Group Companies of the BİST, the Corporate Governance Compliance Rating Grade of İZOCAM SANAYİ VE TİCARET A.Ş. (İZOCAM) has been determined as **9,28**. This result signifies that the company has largely achieved compliance with the 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 a high level. The structure and working conditions of board of directors is rather compliant with corporate governance principles. Some improvements in corporate governance policies are expected, although they don't pose major risks.

Willing and determined approach of both the 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 observed that **Izocam** has obtained a grade of **93.85** in respect to Shareholders' Section.

It has been seen that the company has achieved compliance to CMB Corporate Governance Principles in general in this section. The existence of Investors Relation Department that keeps healthy relations with shareholders, timely and duly convention of general assemblies and their proper invitations, having no privileges in voting rights, establishment of a dividend policy, its disclosure to public and having no restrictions on transfer of shares are salient positive achievements. In accordance with CMB Communiqué no II.17-1, the Manager of Investors Relation Department is appointed as Corporate Governance Committee member.

The Company has achieved a grade of **95.67** for Public Disclosure and Transparency section. It has been deemed positive that the Company has developed its disclosure policy and shared it with public and provided access to several current data on the corporate internet website, which are specified in the principles and might be needed by the investors.

It has also been determined that the annual report is in compliance with the principles and it provides detailed information on Company's activities.

It is seen that the company has reached the grade of **91.93** in the section of Stakeholders.

Human resources policy has been prepared; regulations on different subjects including

recruitment, job descriptions, performance appraisal, promotion, rewards, leave and social benefits have been made and disclosed to the employees.

The company has prepared compensation policies for employees based on current labor laws and disclosed them to public on its corporate website.

Ethical Principles and Rules have been prepared and introduced to employees in order to ensure that they act pursuant to such rules.

As for the Board of Directors Section, the Company's grade is **90.38**.

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

Audit, Corporate Governance and Early Detection of Risk Committees within the Board of Directors have been established and their working principles have been formed.

There are also other important indications of compliance with the Principles such as the fact that Board comprises adequate amount of non-executive members and two (2) independent members, and that guidelines for remuneration of top executives have been prepared and presented to the shareholders at the general assembly meeting as a separate item of agenda.

The posts of Chairman of the Board and Chief Executive Officer are held by separate individuals and nobody in the company has unlimited authority to make decisions alone.

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

2. RATING METHODOLOGY

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

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

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

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

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

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

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

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

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

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

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Directive, no II-17.1, dated January 3rd 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, **399** different criteria are considered to measure the compliance of BIST third group firms 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 notification of Corporate Governance dated 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. As the company applies and internalize the criteria stated in corporate governance principles and our company finds out other good corporate governance criteria complied and practiced by the company; our rating system completes the section ratings to 100.

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

Corporate Governance Principles in the existing structure.

In this report the following legends have the following meanings:

✓ Due / Correct Application of CMB's Corporate Governance Principles

✗ Improper / Erroneous Application of CMB's Corporate Governance principles

✓/* Practices required to be improved in compliance with CMB's Corporate Governance Principles.

3. COMPANY PROFILE



Company Name	: İzocam Sanayi ve Ticaret Anonim Şirketi
Company Address	: Altayçeşme Mahallesi Öz Sokak No:19 Kat:3,5,6 34843 Maltepe / İSTANBUL
Company Phone	: (0216) 4404050
Company Facsimile	: (0216) 4404075
Company Website	: www.izocam.com.tr
Date of Incorporation	: 06/11/1965
Registered Number	: İstanbul 90639
Paid in Capital	: 24.534.143.-TL
Line of Business	: Production of insulation material such as Glass Wool, Stone Wool, Elastomeric Rubber, Polyethylene
Company's Sector	: Insulation Sector

Company's Representative in Charge of Rating:

Doruk ÖZCAN

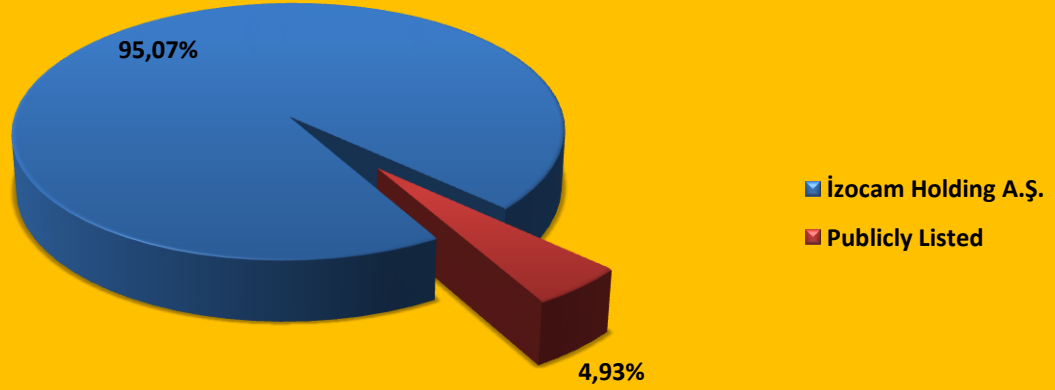
Assistant General Manager
Investor Relations Department Manager

ozcan@izocam.com.tr

(0216) 4404050

Shareholders Structure (As of reporting date)

İzocam Sanayi ve Ticaret A.Ş. Shareholders Structure



Source: www.kap.gov.tr

Shareholder Name	Share (TL)	%
İzocam Holding A.Ş.	23.324.476	95,07
Publicly Traded	1.209.667	4,93
Total	24.534.143	100,00

Source: www.kap.gov.tr

Real and Corporate Entities that Indirectly Own Capital

Ortak Adı	Payı (TL)	%
Alghanim İzolasyon Yatırım A.Ş.	11.662.238,42	47,53
Saint Gobain Weber Yapı Kim. Sanayi ve Ticaret A.Ş.	11.662.238,42	47,53
Total	23.324.476,84	95,07

Source: www.kap.gov.tr

Board of Directors

Name / Surname	Title	Executive / Non - Executive
Samir Mamdouh KASEM	Chairman	NON - EXECUTIVE
François Xavier Moser	Deputy Chairman	NON - EXECUTIVE
Robert Theodoor Gjisbert ETMAN	Member	NON - EXECUTIVE
A. Nuri BULUT	Member / General Manager	EXECUTIVE
Gülsüm AZERİ	Member - Independent	NON - EXECUTIVE
Pol ZAZADZE	Member - Independent	NON - EXECUTIVE
Hady Nassif	Member	NON - EXECUTIVE

Source: www.kap.gov.tr

Top Management

Name / Surname	Title
A. Nuri BULUT	General Manager
Fatih ÖKTEM	Assistant General Manager Marketing
Nabi AKPINAROĞLU	Assistant General Manager Technical
Doruk ÖZCAN	Assistant General Manager Financial – Admin.

Committees Formed Within Board of Directors

Audit Committee

Member Name/ Surname	Title
Pol ZAZADZE	Chairman / Independent Board Member
Gülsüm AZERİ	Member / Independent Board Member

Source: www.kap.gov.tr

Early Detection of Risk Committee

Member Name/ Surname	Title
Pol ZAZADZE	Chairman / Independent Board Member
Hady NASSİF	Member / Board Member
Robert Theodoor Gjisbert ETMAN	Member / Board Member

Source: www.kap.gov.tr

Corporate Governance Committee

Member Name/ Surname	Title
Pol ZAZADZE	Chairman / Independent Board Member
Hady Nassif	Member / Board Member
Robert Theodoor Gjisbert ETMAN	Member / Board Member
Doruk ÖZCAN	Member /Assistant General Manager- IRD Director

Source: www.kap.gov.tr

Investor Relations Department

Name / Surname	Title	Contact
Doruk Özcan	Assistant General Manager Financial – Admin. and Investor Relations Department Director	0(216) 440 4050 ozcan@izocam.com.tr
Dilek Pehlevan	Finance Manager and Investor Relations Manager	0(216) 440 4050 pehlevand@izocam.com.tr

Source: İzocam San. Ve Tic. A.Ş

Balance-Sheet Comparison of Company's Certain Selected Items as of 3rd Q of Last 2 Yearends (000 TL)

	2015/09(000)	2016/09(000)	Change %
Total Assets	254.032.-	281.683.-	10,9
Short Term Liabilities	98.344.-	116.622.-	18,6
Long Term Liabilities	9.909.-	12.156.-	22,7
Paid in Capital	24.534.-	24.534.-	-
Equity	145.778.-	152.904.-	4,9

Source: www.kap.gov.tr

Profit-Loss Table Comparison of Company's Certain Selected Items as of 3rd Q of Last 2 Yearends (000 TL)

	2015/09(000)	2016/09(000)	Change %
Sales	266.693.-	274.057.-	2,8
Gross Profit/Loss	61.942.-	60.554.-	-2,24
Basic Operational Profit/Loss	26.493.-	23.776.-	-10,2
Financial Expenses	(3.890.-)	(8.090.-)	(108)
Period Profit/Loss	18.889.-	12.730.-	-32,6

Source: www.kap.gov.tr

Market where the Capital Market instrument is Quoted and indexes that the Company Participates

- MAIN MARKET
- BIST MAIN / -BIST İstanbul / -BIST CORPORATE GOVERNANCE / -BIST INDUSTRIAL / -BIST STONE, EARTH / -BIST DIVIDEND / -BIST ALL / -BIST ALL-100

**The Bottom and Peak Closing Values of Company's Shares traded on the BIST during last Year
(01.12.2015-01.12.2016)**

<i>Bottom (TL)</i>	<i>Peak (TL)</i>
20,16- (21.07.2016)	32,70- (30.03.2016)

Source: İzocam San. ve Tic. A.Ş

Brief History of the Company

Established in 1965, İzocam A.Ş opened its first factory in Gebze in 1967, producing glass wool. The company opened its second glass wool plant in Tarsus, Mersin with an annual capacity of 10,000 tons. In 1992 the annual capacity of this plant was doubled and reached 20,000 tons. As a result of the capacity increase in Tarsus plant, Gebze plant turned to production of stone wool in 1993. Its annual capacity of 10,000 tons became 15,000 tons in 1997.

With its facilities established in Gebze in 1982, İzocam started the production of Extruded Polystyrene (EPS). Gebze facilities also started the production of Expanded Polystyrene (XPS) in 1995.

Izocam started production of Elastomeric Rubber, with the brand of İzocamflex, in April 2000 at its facility in Eskişehir under Armacell GmbH license. Its annual production capacity was 500 tons.

Tekiz Facilities, established in 1966 by Koç Group, were acquired by İzocam in 2005. In Tekiz Facilities Stone Wool and Polyurethane Roof – Roof Panels, Trapez and Cold Store Panel are produced under the brand of İzocam Tekiz.

In order to create synergy the company merged all its plastics productions and moved them to its campus in Gebze Organized Chemical Industry Zone (GEBKİM) in 2012. The campus has 20 decares closed and 86 decares open area.

Information on Operations

Currently İzocam has an annual production capacity of 55,000 tons in glass wool and 75,000 tons in stone wool. İzocam is the strong market leader with its Mineral Wool Production capacity. İzocam produces glass wool products under the license of Isover Saint-Gobain and stone wool products under Isover Saint-Gobain G+H.

Eskişehir facility has been producing Elastomeric Rubber products since April 2000 with İzocamflex brand. Its current annual production capacity is 3,500 tons. The same facility has been producing Polyethylene products since the beginning of 2006 with İzocam PEFlex brand. Its annual production capacity is 700 tons.

Izocam exports its products of advanced technology and high standards to many countries, including Israel, Egypt, Syria, Jordan, Lebanon, Iraq, Greece, Bulgaria, Romania, Macedonia, Russia,

Turkmenistan, Kazakhstan, Ukraine, Georgia, Kyrgyzstan, Tajikistan, Uzbekistan, Azerbaijan, Sudan, Ivory Coast, Cameroon, Ghana, Guinea, Ethiopia, Libya, Pakistan, Afghanistan and Cyprus

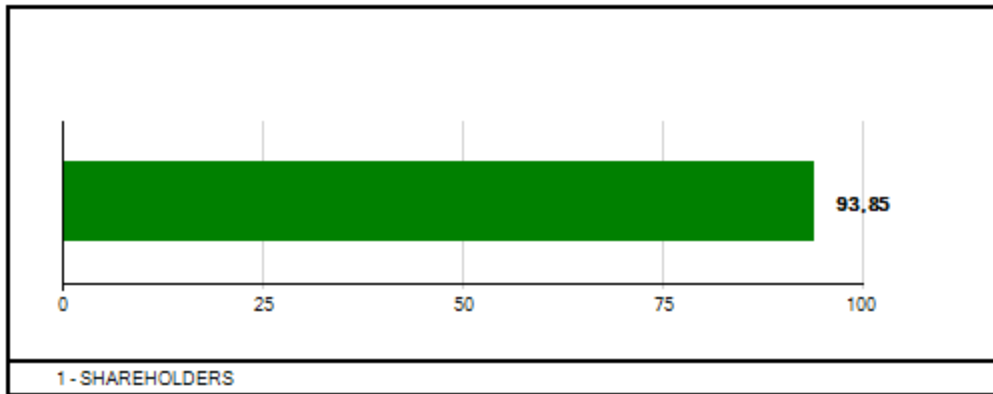
Thanks to its wide portfolio of products that provide protection against heat, cold, sound, fire and water and its technical consultancy services, İzocam is the leader of Turkish insulation sector. İzocam meets customers' demands and expectations in time and in accordance with global standards, with an environmentally sensitive approach. The company applies standards of ISO 9001 Quality Assurance System, ISO 14001 Environment Management System and OHSAS 18001 Work Health and Safety System at its facilities.

İzocam products that are used in the buildings are being provided with the "CE" sign. According to the 6th article of Building Materials Directive - which is an international directive - this sign means that "material that enable the product to meet basic requirements of the directive". The mineral wool products, stone wool and glass wool also have EUCEB certificate, which is given solely to bio product category. All İzocam products are produced in accordance with TSE standards.



4. RATING SECTIONS

A. SHAREHOLDERS



Overview

- ✓ A department has been established to continue relations with shareholders on a healthy basis.
- ✓ Working guidelines for Investor Relations Department has been prepared.
- ✓ General Assembly meetings have been hold in accordance with regulations and Articles of Association.
- ✓ General Assemblies are open to public and there is a provision in the Articles of Association on this subject.
- ✓ Donations and Aid policies of the company are prepared, presented for the approval of the General Assembly and disclosed to public.
- ✓ Shareholders have been briefed on donations and aids given in the period at the general assembly meeting.
- ✓ There is no privilege in voting right.
- ✓ There are no regulations that make exercising voting rights difficult.
- ✓ Dividend policy is established, presented for the approval of the General Assembly and disclosed to public.
- ✓ There is a provision in the Articles of Association allowing for dividend advance.

- ✓ There is no restriction on transfer of shares.

- ✓/* It would be appropriate to extend minority rights to those who have less than 1 / 20 of the capital.

In this section, as stated by CMB's Corporate Governance Principles, the company was evaluated on **115** different criteria, under the headings of **Facilitating Exercise of Shareholders Rights**, shareholders' Right to **Obtain and Examine Information**, shareholders' right to **Attend the General Assembly**, shareholders' **Voting Right**, shareholders' **Minority Rights**, shareholders' **Dividend Rights** and shareholders' right to **Transfer Shares** to whomever they want, whenever they want. The company's grade for this section is **93,85**.

a. Facilitating Exercise of Shareholders Rights

Operations involving Relations with the Shareholders are performed by the Investors Relations Department, reporting to Assistant General Manager for Financial and Administrative Affairs. The department is under the management of Doruk Özcan, Assistant General Manager for Financial and Administrative Affairs and Investor Relations

Department Director. Actions are taken by Dilek PEHLEVAN.

It has been learned that Doruk ÖZCAN has CMB Advanced Level and Corporate Governance Rating Specialist Licenses. Dilek PEHLEVAN also has CMB Corporate Governance Rating Specialist License.

In order to achieve compliance to CMB's Corporate Governance Communiqué No II-17.1, Investors Relations Department Manager Doruk ÖZCAN was assigned as Member of Corporate Governance Committee and it was disclosed to public with a Material Event Disclosure, dated 24.04.2015.

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

Investor Relations Department reports to the Board of Directors twice a year.

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

Izocam's policies in this subsection are in rather 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.izocam.com.tr) is used efficiently to this end.

Although there are not many inquiries due to the small size of shares open to public, it has been seen that the company is

knowledgeable and capable enough to respond inquiries of shareholders - through phone and / or other means of communications in the shortest time. It is also our impression that sufficient care is given to enable shareholders to use their right to obtain and review information. It has been learned that no inquiries were made by shareholders in 2016.

The "Disclosure Policy", approved by the board, is published on the website, explaining in detail the shareholders' right to obtain and review information under the aforementioned policy.

Shareholders' right to obtain and review information is not restricted or cancelled by the Articles of Association and/or a decision by any corporate department.

There are no regulations and policies to make it difficult for shareholders' to use their right of demanding appointment of a special auditor in the general assembly. Provision has been added to Article 16 of Articles of Association, in reference to Articles 438 – 439 Turkish Commercial Code No 6102, regulating right for private audit and use of this right.

c. General Assembly

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

The general assembly meeting to discuss the operations of 2015 took place on 22.03.2016. It has been seen that the announcement for the meeting was made through Turkish Trade Registry Gazette dated 29.02.2016 and numbered 9021, through Public Disclosure Platform statement dated 23.02.2016, in the e – general assembly system of MKK and on the corporate website of the company.

It has been also found that financial tables, annual report, audit reports and Board's dividend proposal, all of which should be ready for the review of shareholders according to article 437 of Turkish

Commercial Code no 6102 and other announcements that the Company should make in accordance with regulations and Corporate Governance Principles have been shared with shareholders four weeks before the General Assembly.

Together with general assembly meeting announcement, information documents on agenda items were published on the corporate website of the company. It has been determined that the shareholders have been notified about total number of shares reflecting company's shareholder structure and voting rights as of the announcement date, as well as information on whether there is any privileged share within the company's capital. It has also been seen that information was given on changes that might significantly affect managements and activities of the Company and subsidiaries, shareholders' requests to add agenda items, whether or not change in the Articles of Association is on the agenda and Company's general assembly meeting internal guidelines.

General Assembly meetings are open to public and this policy has been regulated in the Articles of Association.

It has been determined that during the preparation of agenda, headings were expressed clearly in order to avoid different interpretations and care has been given not to use words such as "other" or "various".

General assembly meetings are held at company's head office, in order to avoid inequalities among shareholders and to enable them participate with minimum costs.

2 independent board members, general manager / board member, assistant general managers, Investor Relations Department Director and staff, internal audit expert and other mid level managers attended the meeting. Representative of the independent audit company was also at the meeting. It has been found out that the items on the agenda were separately voted and the results were shared with shareholders before the closure

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

It has been seen that chairman of the meeting let all the questions of shareholders to be answered, except those that were accepted as commercial secret.

Dividend, remuneration and donations policies, with relevant agenda items, were presented for the approval of participants at the meeting. Participants were also informed about donations made within the period and about their beneficiaries.

Shareholders were informed about jobs that board members undertook within or outside the company by making distinction between within and outside the group.

In accordance with items of CMB's Corporate Governance Communiqué numbered II-17.1., shareholders were informed about continuous asset, service and liability transfer transactions.

Information was also given about whether or not any transactions took place as a result of allowing board members to undertake transactions, for themselves or in the name of others, that are within the company's business line and these information were recorded in the minutes.

In this subsection İzocam has achieved a high level of compliance with the principles.

d. Voting Right

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

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

Each share provides one voting right. There are no privileged groups among shareholders. Information on the distribution of company shares and on the fact that there is no privilege in voting right is given in company's general assembly information document. The company doesn't have a subsidiary with mutual relationship which brings sovereignty.

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

e. Minority Rights

There has not been any violation of exercising minority shareholders' rights as attendance to the general assembly, representation by proxy, imposition of no upper limit for voting rights. In this manner it is found that care is given to the exercise of minority rights.

It has also been deemed positive that provision has been added to the Articles of Association to allow board of directors to convene upon demand of corporate investors and / or minority shareholders.

However, there is no regulation to widen the scope of minority rights to shareholders with less than one twentieth of the capital.

f. Dividend Rights

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. The policy accepts as a principle to distribute dividend for shareholders – not less than distributable dividend calculated in accordance with CMB directives - , taking into consideration its mid and long term strategies, investment and finance plans and profitability.

Dividend to be distributed can be all cash or stock (being paid by company resources), as well as partially cash and partially stock. Dividend policy was presented to the approval of shareholders at the general assembly meeting on 22.03.2016. 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.

There are no privileges in the distribution of dividend. 30th Article of the Articles of Association states: "Existing shares will get dividends equally without the principle of per diem deduction". The fact that the subject of paying "dividend advance" has already been regulated in the same article of Articles of Association is a positive point.

Dividend Policy requires that if no dividend distribution takes place, shareholders should be informed at the General Assembly about its reason and where will the undistributed profit be used.

It has been calculated on the financial statements, which have been prepared in compliance with CMB regulations, that TRY 27,622,531 net distributable was earned in 2015. Upon proposal of board of directors, general assembly decided to distribute TRY 12,900,000, remaining amount of the net distributable profit after taking out legal reserves, in cash. Accordingly, distribution took place on 28.03.2016.

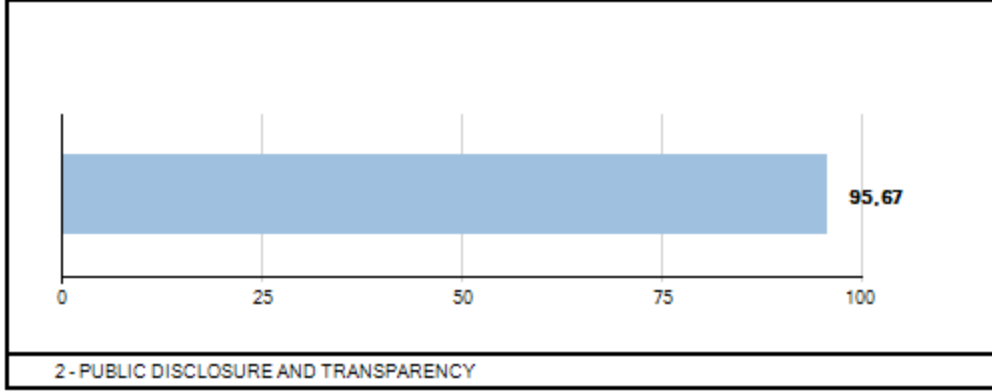
It is our opinion that in this subsection İzocam has achieved very good level compliance with the principles.

g. Transfer of Shares

There are no regulations in the Articles of Association that restrict transfer of shares.

In this subsection the company is fully compliant with the principles.

B. PUBLIC DISCLOSURE AND TRANSPARENCY



Overview

- ✓ Disclosure policies have been prepared in detail, presented to the general assembly and disclosed to the public in electronic environment.
- ✓ The corporate website is being used effectively as a current and informing instrument for 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 website has also been prepared in English.
- ✓ Important board decisions are disclosed on the website.
- ✓ Annual report is very comprehensive and largely contains information referred by the principles.
- ✓ Annual report includes responsibility declarations of board members who are responsible for financial reporting.

In this section, İzocam 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 and the Company has deserved the grade of **95.67**.

İzocam conducts its public disclosures in accordance with its Public Disclosure Policies

developed by the board and shared with public.

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

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

The persons who have the responsibility for public disclosures and the signatory authority in the company are Doruk ÖZCAN (Financial and Administrative Assistant General Manager), Öner TORUN (Accounting Manager) and Dilek PEHLEVAN (Finance Manager and Investor Relations Director).

Independent audit of the Company for 2015 was done by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş (a member firm of Ernst&Young Global 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.

It is decided that audit of 2016 would also be conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş (a member firm of Ernst&Young Global Limited).

a. Corporate Website

The corporate website (www.izocam.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 internet website covers commercial registry details, latest shareholding and management structure, dates and numbers of commercial registry newspapers where changes were published along with the final text of company's Articles of Association, final text of company's Articles of Association, material event disclosures, financial reports, annual reports, agenda of the general assembly meetings, lists of attendees, proceedings of the meetings, the specimen Proxy, internal guidelines, dividend policy, disclosure policy, remuneration and compensation policy, donations and grants policy, 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 being published in English for international investors and partners to utilize.

In accordance with the capital market regulations financial statement notifications

were disclosed on Public Disclosure Platform in Turkish and English simultaneously. In order to help people to make decisions, English text is summarized in a brief, correct, complete, direct, comprehensible and sufficient manner and it is consistent with the Turkish text.

In this subsection İzocam has achieved full compliance with the principles.

b. Annual Report

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

The content of annual reports comprises;

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

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

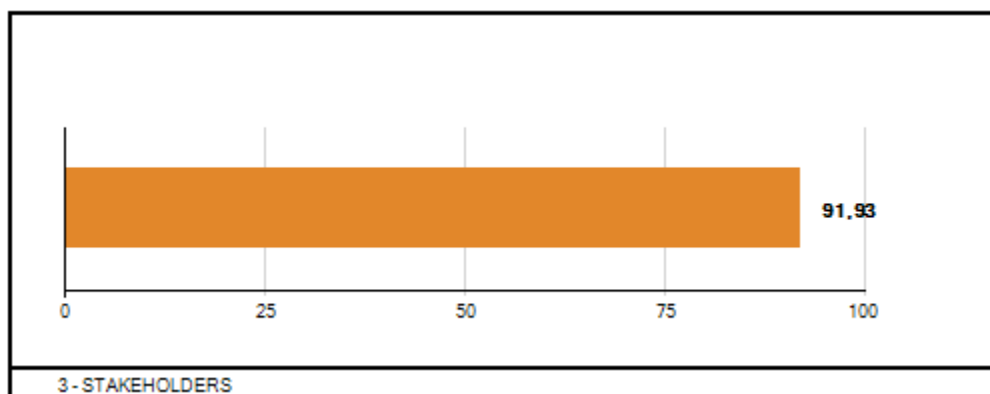
- Board members' and managers' ongoing jobs outside the company,
- Members of subcommittees within the board of directors and meeting frequencies of these subcommittees,

- Important law suits against the company and their possible conclusions,
- Information on board members' transactions with the company – with the permission of general assembly – on his / her behalf or on behalf of someone else and their activities within the scope of competition ban,
- Responsibility declarations of board members who are responsible for financial reporting,
- Information on the social rights of employees, professional trainings and other activities that lead to social and environmental consequences, including corporate social responsibility activities.

İzocam has achieved high level compliance with corporate governance principles in this subsection.



C. STAKEHOLDERS



Overview

- ✓ Ethical Rules have been formed, presented to the general assembly and disclosed through electronic means.
- ✓ Compensation Policy for employees has been formed and disclosed to public via corporate website.
- ✓ There is a detailed regulation for human resources.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There has been no complaint by employees about discrimination and using rights.
- ✓ The company develops social responsibility projects or supports ongoing ones.
- ✓ Care is given to confidentiality of information about customers and suppliers on commercial secret basis.
- ✓/* There are no mechanisms or models in the Articles of Association supporting participation of employees and stakeholders in management.

In this section, the Company has been assessed by 57 different criteria under the headings of **Corporate Policies on Stakeholders, Supporting Stakeholders' Participation 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 91.93.

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 is concluded that **izocam** protects the stakeholders' rights specified in regulations and mutual agreements.

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

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.

Communication and Audit Procedure, as well as other necessary mechanisms have been prepared for stakeholders to convey ethically improper company transactions - which are contrary to regulations - to Corporate Governance, Early Detection of Risk or Audit Committees.

In this subsection İzocam has achieved compliance with corporate governance principles.

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

Platforms within intranet system for employees to share their requests, suggestions and opinion have been established. However inclusion of employees into decision making mechanisms, on the basis of their powers and responsibilities did not take place. Opinions of those employees who participate within the frame of Suggestion and Reward System are taken into consideration by relevant departments.

There are no models to support employees' participation in company management in the Articles of Associations. However many models have been developed to support employees' participation in management, as well as entrepreneurship and innovation and minimizing the risks on safety and these models have been added to internal regulations. Methods have been developed in order to get feedback from employees, customers and suppliers in subjects concerning them and related employees are briefed on these methods.

The Communication Plan was revised in 2014 and practices of internal communication were made procedures in order to ensure efficient information flow between the employees and the company. The procedure details the methods below, which ensure

communication between the company management and the employees;

- Suggestion system assessment meeting
- Open door meetings
- Announcements and directives
- Communication Boards
- Intranet.

The suggestions put forward by employees on subjects like efficiency, savings, quality, work safety, employee satisfaction and other important issues are evaluated by a committee. Those suggestions that found viable are put into implementation and best liked suggestion among them is awarded.

Open door meetings take place separately at each factory / department. General Manager, assistant general managers and facility managers participate in these meetings and blue collar employees are informed about company's operations and on other subjects relevant to their jobs. An important part of these meetings is allocated for Q&A session, where employees can ask questions to managers on subjects they want to know or are interested in and share their opinions. For 2016, Open Door Meetings at the head office and in other facilities are planned to start in the second half of December and completed by the end of the year.

Apart from these methods, SMAT (Safety Management Audit Tool) has been developed in order to support employees' participation to management and to determine possible weaknesses in work safety by using a different perspective. SMAT is based on inspection of production units by people who don't work there and on average it is implemented more than 5,000 times a year. The findings are conveyed to people or units that are responsible and the risk gets eliminated before it occurs.

In this subsection İzocam has achieved compliance with corporate governance principles.

c. Human Resources Policy of the Corporation

Policies prepared by the Board for employees are implemented by the Management of Human Resources and Industrial Relations. Human Resources regulation of the company, which was prepared in 2002, was most recently updated in 2014.

Procedures on recruitment, working conditions, register files, disciplinary practices, powers and responsibilities of employees, remuneration, health and leave rights, promotion, task alteration and dismissal, death, resignation, retirement and education have been developed and it has been observed that the Company sticks to these policies in practice. Both during development of the policies and in practice we got the impression that equal opportunity is given to individuals under equal conditions.

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

Performance and reward criteria have been established and disclosed to employees. It has been learned that in determining benefits for employees the above - mentioned criteria is followed.

It has been seen that the company develops training policies to increase knowledge, capability and experience of the employees and implements programs in accordance with these policies. The Board gives targets to the general manager on training programs of both white collar and blue collar employees. The performance is put into the target card of general manager. This approach is seen as an indicator of sensitivity of Izocam in the subject of education.

11,142 hours of external training, 5,093 hours of internal training and 1,182 hours of e – training took place as of the end of November 2016. Total time of training has been 18,117 hours. Training time per person has been 40.72 hours.

The company's organization chart has been charted according to working conditions. Departments of the company, as well as number and qualifications of employees for these departments have been put into written internal regulations. It has been learned that succession plans have been prepared for those people working at critical posts and employees who are included in this planning have received training, costs of which have been paid by the company.

As of the end of November 2016, 209 white collar and 234 blue collar employees are employed, bringing the total number of employees to 443.

Some of the employees are members of union, but the union hasn't yet received full authorization to do any transactions. Freedom to found an association or to become member of one is not restricted. The company supports membership for professional associations and platforms, by paying membership fees for some employees.

Upon examination of files in the company and interviews with employees, 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. Although no employee satisfaction poll has taken place so far, it has been learned that it would start in February 2017.

Regulations for employees are regularly updated and related employees are informed.

There are no employee stock-options.

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

d. Relations with Customers and Suppliers

Dealers are the customers of the company. An online “Dealer Satisfaction Poll” is conducted at the end of every year. A research company monitors the process and answered forms are reported in detail for dealer groups based on regions and turnover. The data is assessed by regional managers in marketing meeting and with the sales group in the extended marketing meeting. It is shared with dealers at mini and international dealer meetings. Same polls have been started for exporting dealers.

İzocam has suppliers both in country and abroad. Processes for dealers, suppliers and outsourced services are defined and standards are determined.

Information and documents obtained from customers and suppliers during the activities are kept confidential within the scope of trade secret security in order to ensure that they are not to be reached by unrelated individuals.

It has been seen that the company upholds quality standards at its products and services. On the issue of management and environmental standards, the company has ISO 9001-2008 (International Quality Management Standard), ISO 14001 (International Environment Management System Standard) and OHSAS 18001 (International Occupational Health and Safety Management System Standard) documents. Work continues to get Information Security Management System Certificate within the scope of management systems. With this certificate, the company will be documented that “it has established and been implementing a management system in compliance with requirements of ISO27001 Information Safety Management System.”

In this subsection company’s policies are in compliance with corporate governance principles.

e. Ethical Rules and Social Responsibility

Necessary preparations and regulations to ensure that business ethic rules are complied by all employees and those who work on behalf of the company, as well as to ensure that they are implemented, have been laid down. On this subject, the company complies with regulations and generally accepted ethical rules. Within the scope of compliance with Corporate Governance Principles, “Working and Behavioral Principles that Form İzocam Ethical Values” was prepared in writing, put on to the website and disclosed to public as of 14.2.2012. Top management gave education to employees on ethical principles and through e – learning method, online education has been provided for employees. The education sessions were recorded. An Ethics committee has also been established in order to protect and apply these values within the company.

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

- Relations with Other Stakeholders (industry representatives, professionals and students):

Insulation Mastership Trainings;

Since 2015, the company has been organizing free training programs for masters to provide them with “Professional Competency Document”, which was made legally obligatory for masters working in construction and installation. İzocam's training team, which consists of architects, engineers and technicians give training once a month at İzocam workshops, monitored by the experts assigned by Ministry of National Education. The trainings are under the headings of Plastered Façade Insulation Systems (jacketing), Insulation for Industrial Buildings and Roofs, Insulated Plaster Plate Wall and Insulation for Hanging Systems (Internal Insulation). As of December 2015, over 1,700 masters who successfully completed their

training received certificates (approved by the Ministry of National Education).

İzodemi Trainings;

Every year İzocam provides training for dealers and their customers with different themes. “Effective Sale Trainings” were given in 2015. Trainings took place in Samsun, Bursa, Antalya, İzmir, Ankara, İstanbul, Trabzon, Erzurum, Ankara, Adana and Elazığ with participation of more than 260 industry professionals. Since 2012 about 2,800 masters participated in trainings on 128 different subjects.

İzocam Insulation Training Center (İYEM);

Established in order to extend the consciousness of insulation and provide training for right methods of insulation, İYEM has been continuing its activities, in the spirit of corporate social responsibility for 18 years. It has been providing services for insulation industry since November 1998. It has provided 43,000 man / day of training for 20,000 people. İYEM’s training sessions continue throughout the year in two semesters and 43 experts and academicians give the training. The training is free and those who complete all İYEM training programs with success receive “Insulation Expert Certificate”.

- Corporate Social Responsibility:

İzocam Student Competition;

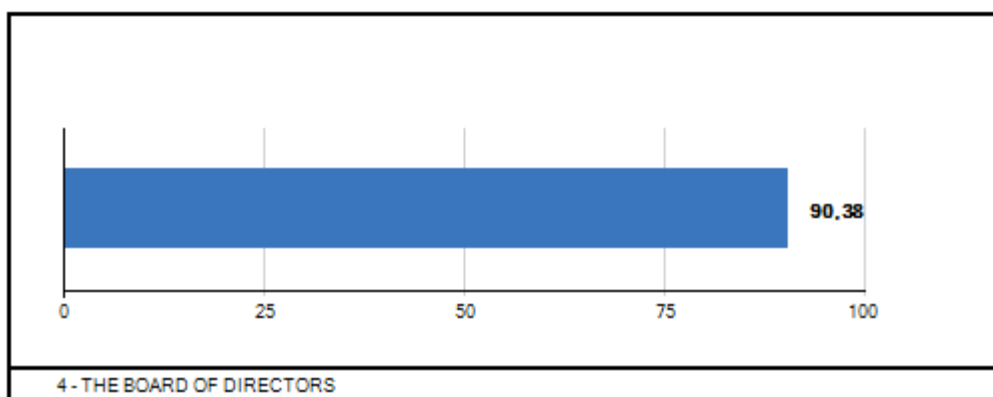
İzocam has been organizing “University Students Insulation Competition” every year since 1999. The aim is to support the awareness of insulation among university students, as well as encouraging interdisciplinary work and talent development. For the last 5 years it has joined International Insulation Competition organized by Isover, and thus carried the competition to international level. Among students, who apply with projects compatible with that year’s theme, first three represent Turkey in the international competition abroad. At the 15th competition in 2015, finalists of İzocam

University Students Insulation Competition won Jury Special Award in Astana, Kazakhstan.

OZİ;

İzocam conducts “The Importance of Energy Efficiency and Insulation” project against global warming, which poses an ever increasing threat today. The project aims to increase environmental consciousness of children. Through OZİ Social Responsibility Project, conducted in elementary schools, the children gained awareness on issues of energy efficiency, global warming and environment. It was aimed to turn children into questioning and searching adults for the society. Through the OZİ project - launched in 2010 for primary school students and ended in June 2015 – which aimed to teach children “the Importance of Energy Efficiency and Insulation, about 100,000 students (meaning 100,000 families) have been reached in 350 schools in İstanbul, Ankara, Kocaeli and Eskişehir.

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.
- ✓ 2 of non-executive Board Members are independents.
- ✓ 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.
- ✓ Corporation's damage that may be caused due to the faults of the board of directors during the charge of their duties has been insured for an amount exceeding 25 % of the corporation's capital and disclosed on Public Disclosure Platform.
- ✗ There is no practice of self-criticism and performance evaluation for the board and there is no practice of rewarding or sacking members in the light of these assessments.
- ✓/* No targeted ratio, timeline and policy have been prepared for women members of the board, for a ratio no less than 25 %.
- ✓/* It would be appropriate to disclose the remuneration and other benefits provided for managers with administrative responsibilities on personal basis in the annual report.

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 Members of the Board of Directors and Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **90,38**.

a. Function of the Board of Directors

By the strategic decisions it takes, Board of Directors manages and represents the company, keeping the risk, growth and return in balance while paying attention primarily to company's long term interests under a reasonable and prudent risk management approach. In this sense, Board of Directors has described the corporate strategic objectives, and determined required human and financial resources.

Izocam's Board of Directors monitors company activities to be in compliance with regulations, Articles of Association, internal procedures and policies and it supervises management performance.

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

In this subsection, the Company has achieved compliance with corporate governance principles.

b. Principles of Activity of the Board of Directors

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

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

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 reviews the efficiency of risk management and internal control systems at least once a year.

No person in the Company has the authority to decide solely and in an unrestricted fashion. Positions of Chairman of the Board and General Manager are held by different individuals.

It is our impression that Board of Directors plays a leading role in maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders. To this end, the Board is in close cooperation with corporate governance committee and Investor Relations Department.

It has been observed that the Board is in continuous and effective cooperation with

managers while performing its duties and responsibilities. It has been learned that top managers attend Board meetings whenever necessary.

"Manager Liability Insurance" against defects of Board Members duties has been made for double the amount of paid in capital - an annual amount of USD 20 million and it was disclosed to public on 05.04.2016 with a Public Disclosure Platform statement.

In this subsection, company has achieved compliance with corporate governance principles.

c. Structure of the Board of Directors

Company's Board is formed with seven (7) persons, including six (6) members and one (1) Chairman. The requirement of at least 5 members to form the Board has been met and the number of Board Members is found sufficient in order to serve effectively and constructively and to form and arrange organization of committees.

The Board comprises executive and non-executive directors, and the principle that majority of Directors should be non-executive members is respected. One (1) of the Directors is executive and six (6) of them are non-executives. Two (2) of non-executive directors are independent, satisfying the independence criteria laid down by Principles. The independent Directors have presented their written representations that they are independent under the legislation, the Articles and the criteria laid down by the Principles to the Candidate Nomination Committee (Corporate Governance Committee). Candidate Nomination Committee (Corporate Governance Committee) reported candidate proposals for membership together with its assessment on whether or not the candidates met the criteria for independence to the Board for approval. The Company disclosed the finalized list of independent member candidates to public together with the

announcement for general assembly meeting.

There is one (1) woman director in the Board. The statement in Article 14.1 of Articles of Association, which says: "Care is taken to include women board member candidates, with sufficient knowledge and experience, among candidacies for Board at the General Assembly, in order to increase number of women board members as required by Corporate Governance Principles," has been deemed positive. However it would be appropriate for the company to determine a target ratio – no less than 25 % - , a deadline and policies to reach these targets.

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

d. Procedure of Board of Directors Meetings

According to Article 14 of Articles of Association, the Board of Directors convene whenever company affairs need it. The Board convened 3 times in 2016 and took 14 decisions as of October 2016. These meeting were attended by all members.

Each member has one voting right at the board. There are no weighted voting rights.

It has been seen that board meetings take place in accordance with the provisions of Articles of Association and regulations prepared for Board meetings and that meeting procedures have been written down as internal regulation documents.

"Working Principles of Board of Directors includes;

- The structure, mandate and responsibilities of the board of directors,
- Qualifications of board of directors,
- Meeting procedure, processes of invitation and meeting of board,
- Distribution of duties in the board and committees,

- Conditions and restrictions for members who want to assume duty in other companies.

It has been seen that company sticks to provisions of Articles of Association as well as regulations in practice.

Secretariat function of the board is undertaken by lawyers of main shareholders.

In this subsection, the Company has achieved compliance with the principles.

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

In order for the Board to fulfill its duties and responsibilities soundly, Auditing Committee, Corporate Governance Committee and Early Detection of Risk Committees are formed. Separate Nomination and Remuneration Committees haven't been established because of the Board's structure. These duties are carried out by Corporate Governance Committee. Working rules for all three committees have been determined and disclosed to public in the company's 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 assignment in any committee.

All resources and support are provided by the board to ensure the committees perform their obligations.

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

The Audit Committee consists of two (2) independent members. It monitors performance and effectiveness of company's accounting system, public disclosure of

financial information, independent audit and working and efficiency of the internal control system. The selection of independent audit company and supervision of its work at every stage is implemented by the audit committee. Reporting to the general manager, Audit and Control Department is in direct contact with the Audit Committee and Early Detection of Risk Committee. Audit and Control Department makes a presentation and reports for the Audit Committee once in every three months. It has been determined that 7 audits took place and 3 reports were presented to the audit committee as of November 2016. The internal control system of İzocam is designed to ensure and provide reasonable assurance for the efficiency of operations, credibility of financial reporting and compliance with legal regulations. The efficiency of the system is tested by the Audit and Control Department and results are shared with top management and related committee. Internal Control System is designed on the basis of unit and process. İzocam Corporate Risk Management System, which aims to assess the risks in the work processes and the solutions designed to meet these risks was shared at the meetings of the Early Detection of Risk Committee in 2014 and finalized by the end of the year.

Audit Committee convened eight (8) times in as of November 2016.

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

The Committee consists of four (4) members. Committee Chairman is an independent member of the Board, while two (2) are non – executive Board members. One member is appointed as Investor Relations Unit Director and he is also appointed as a member of Corporate Governance Committee In

accordance with CMB Corporate Governance Communiqué number II.17-1.

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

The Committee convened twice (2) as of November 2016.

Early Detection of Risk Committee consists of three (3) members. Its chairman is independent. Other two members are non – executive Board Members.

Early Detection of Risk Committee has requested preparation of work charts for operational activities in order to integrate risk management and internal control systems into the corporate structure of the company and to manage possible risks efficiently. It has also requested a systematic process to be followed in order to determine risks of processes and to define control activities. Upon this request of committee, processes – starting with basic processes - that have an effect on company operations have been determined; risk control matrixes for these processes have been prepared and integrated with internal control system. Completed processes have been shared with Early Detection of Risk Committee and criteria for determining and managing risks have been presented to the committee members. On the other hand, Early Detection of Risk Working Group has been formed within the company. This group holds regular meetings to assess current and probable risks and to plan necessary actions. Meeting minutes are prepared to record proceedings and minutes are being shared with committee members.

Early Detection of Risk Committee convened three (3) times as of November 2016. It planned one (1) meeting for December. Committee has assessed potential risks for the company and reported them to the board of directors.

The fact that board members Pol Zazadze, Hady Nassif and Robert T.G. Etman are assigned to more than one committee is in violation of the principle, which requires care to be shown not to assign a board member to more than one committee.

Secretariat of all three committees is undertaken by Supervision and Control Manager Umut AYHAN.

It is our opinion that the company has achieved compliance with corporate governance principles in this subsection.

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

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

Stock-options or payment plans based on the corporate performance are not used for remuneration of the independent directors. The emoluments of independent directors are sufficient to keep 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 doesn't evaluate its performance or self criticize itself on personal basis or as a whole. The practice of awarding or dismissing board members on the basis of the evaluation of their performance doesn't exist. It would be the right attitude, in terms of compliance to

principles, for the Board to determine the method in this subject and to measure performance by using this method.

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

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

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

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