



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

 **Garanti Factoring**

***Garanti Faktoring A.Ş.***

19 August 2016

Validity Period 19.08.2016-19.08.2017

## LIMITATIONS

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

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

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

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 74 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made on site by our rating experts.

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

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

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

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**GARANTİ FAKTORİNG A.Ş.**

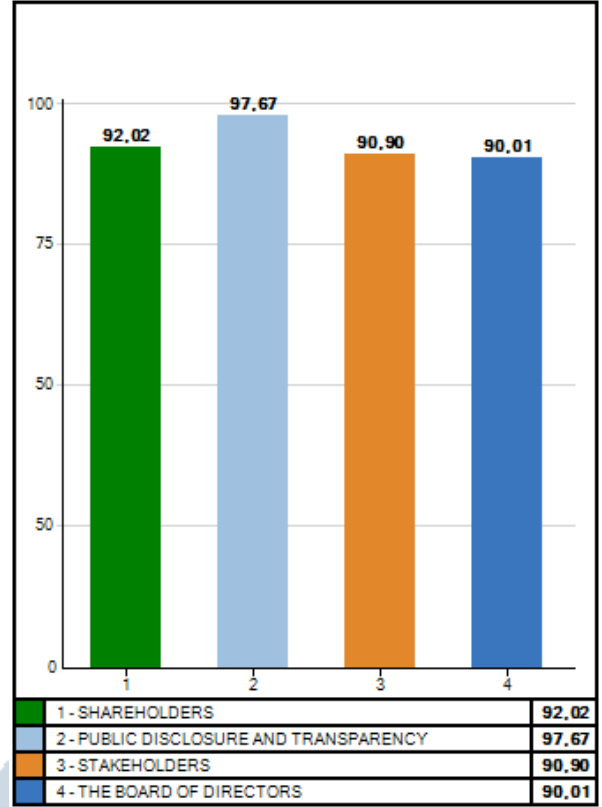
**CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE**

**9.26**

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#### RATING SUMMARY

The process of rating of compliance of **GARANTİ FAKTORİNG A.Ş.** with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents, interviews held with executives and persons involved, and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

At the end of examination of 399 criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors as specified in the CMB's Corporate Governance Principles and the methodology of Kobirate A.Ş., developed for "Third Group Companies of the BIST, the Corporate Governance Compliance Rating Grade of **GARANTİ FAKTORİNG A.Ş.** is determined as **9.26**. This

result signifies that **GARANTİ FAKTORİNG** has greatly achieved compliance with the CMB's Corporate Governance Principles. Possible risks for the Company have been determined and are controlled. Public disclosure and transparency activities are conducted at high level. Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors are generally in compliance with corporate governance principles. In conclusion; this grade expresses that the Company highly deserves to be in the BIST Corporate Governance Index.

In view of rating process under main headings in brief;

The Company has received a grade of **92.02** in the Shareholders section and it is seen that it has generally achieved a good level compliance with CMB Corporate Governance Principles. The existence of Investor Relations Department, through which a healthy relationship with shareholders is

implemented, duly convention of general assembly and invitations for it, establishment of a dividend policy and revision of it in accordance with CMB directives 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.

**GARANTİ FAKTORİNG** has achieved grade of **97.67** at the section of Public Disclosure and Transparency. The Company has prepared its disclosure policy, updated it in accordance with CMB communiqués and disclosed to public. These are all practices that are in compliance with the Principles. It is also deemed positive that the Company revised its corporate website and provided access to several current data on the website, which are specified in the principles and might be needed by the investors.

It has been seen that the Annual Report is developed, becoming sufficient in terms of content and information is supported with graphics. Due to such efforts **GARANTİ FAKTORİNG** has displayed a significant level of compliance with the principles covering public disclosure and transparency.

The Company has achieved a grade of **90.90** in the section of stakeholders.

The Company has achieved significant compliance with the CMB's Corporate Governance Principles in respect to this section. A human resources policy is established; regulations are made and disclosed to the employees including recruitment, job descriptions, performance evaluation, promotion, awarding, leave and social benefits.

It is observed that work processes and standards are set forth and that the customers are informed of such processes.

Procedures for outsourcing in terms of products and services are laid down in written documents.

Code of Ethics and Business Conduct have been set forth and introduced to employees to act pursuant to such rules.

With its "Environmental and Social Credit Policies", the Company has undersigned a first in its sector. These policies state that **GARANTİ FAKTORİNG** would refuse to finance those projects that include activities banned or restricted by international agreements signed by Turkey or subjects referred by policies, without making any environmental or social impact assessment or giving any consideration to the amount.

The Company presented the information of aids and donations made within the period to the shareholders at the ordinary general assembly meeting for 2015 and received approval for its aids and donations budget for 2016.

As for the Board of Directors Section, the Company's grade is **90.01**, representing a good level compliance with the CMB's Corporate Governance Principles.

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

The posts of Chairman of the Board and Chief Executive Officer are held by separate individuals, the powers of each of them are stated in the Articles of Association.

The Board convenes regularly and procedures for meetings are incorporated in both the Articles of Association and internal directives.

It has been observed that the Audit, Corporate Governance and Early Detection of Risk Committees, referred to in the Principles, have been formed and their working principles were put in written documents. Moreover there are some committees within

the Board that include professionals and these operate actively.

On the other hand, there are other important indications of compliance with the Principles such as the fact that Board has an adequate number of non-executive members as well as independent members and guidelines for remuneration of top executives are set forth and have been disclosed to partners in a separate item at the general assembly.

It is also determined that possible damages to the company due to defects of Board of Directors Members while performing their duties are insured for an amount exceeding 25 % of company's capital



## 2. RATING METHODOLOGY

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

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

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

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

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

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

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

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

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

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

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

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

399 criteria are used in the rating process for BIST Third Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.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 decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

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

considered as part of the remaining 15 % and affect the company's grade.

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

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

# Garanti Factoring

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

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

**Line of Business** : Factoring services

**Company's Sector** : Finance

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

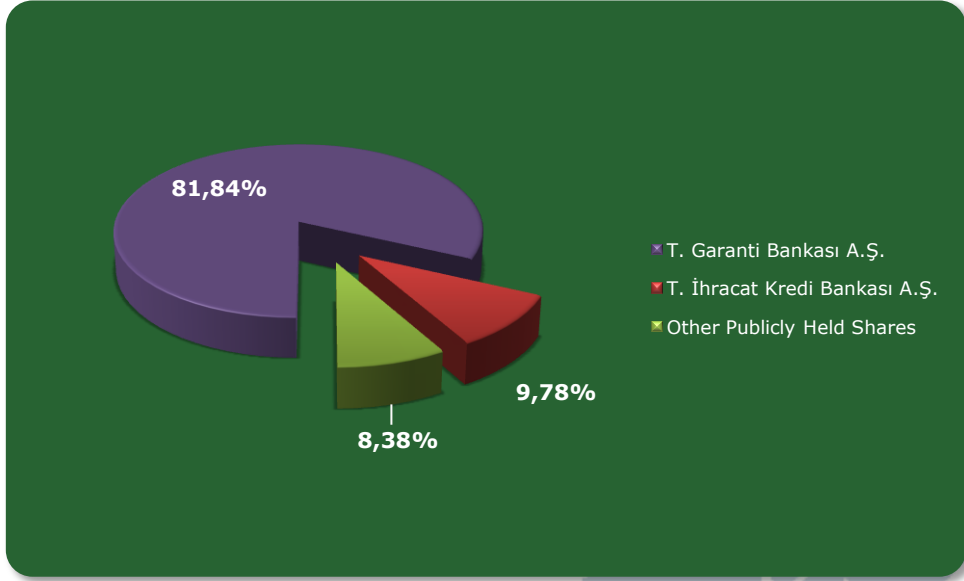
Serap Çakır

General Accounting Department Manager and  
Investor Relations Manager

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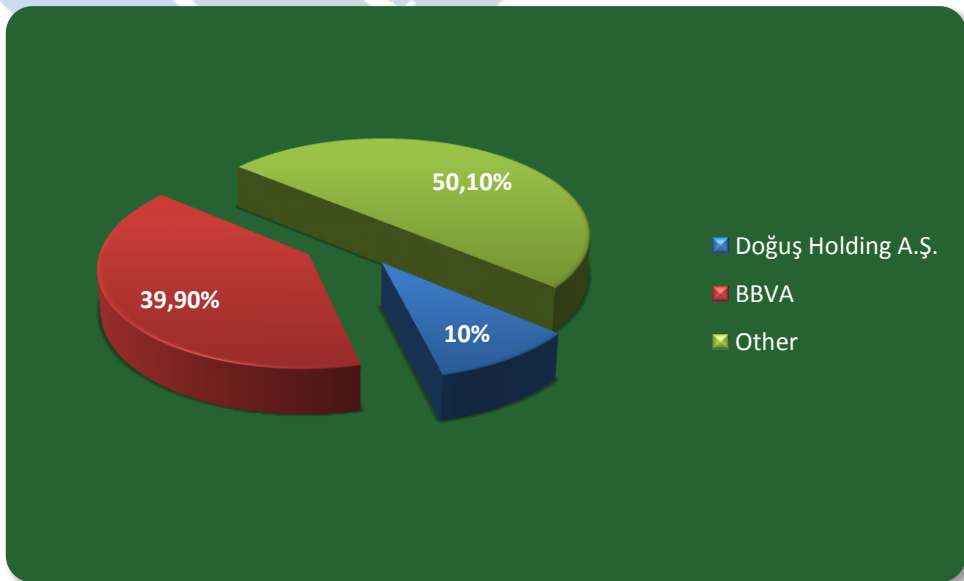
**Company's Shareholding Structure (as of report date)**



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

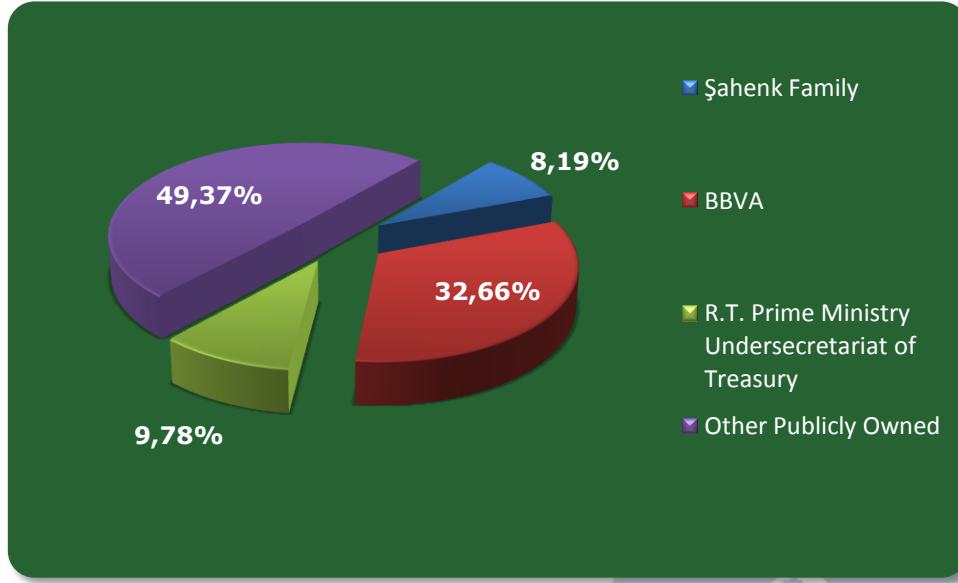
Shareholder Name	Share (TL)	%
T.Garanti Bankası A.Ş.	44.046.670,89	55,40
Public Shares owned by T. Garanti Bankası A.Ş.	21.018.964,18	26,44
T. İhracat Kredi Bankası A.Ş.	7.772.941,90	9,78
Other Publicly Held Shares	6.661.423,03	8,38
<b>Total</b>	<b>79.500.000,00</b>	<b>100,00</b>

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



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

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



Shareholder Name	Share (TL)	%
Şahenk Family (through T. Garanti Bankası A.Ş.)	6.507.383,62	8,19
BBVA (Banco Bilbao Vizcaya Argentaria S.A.) (through T. Garanti Bankası A.Ş.)	25.961.189,62	32,66
T.C. Prime Ministry Undersecretariat of Treasury	7.772.941,91	9,78
Other Public Offering	39.258.484,85	49,37
<b>Total</b>	<b>79.500.000,00</b>	<b>100,00</b>

Source: www.kap.gov.tr

**Company Board of Directors**

Name/ Surname	Title	Executive/ Non Exe.
Ali Fuat ERBİL	Chairman of Board of Directors	EXECUTIVE
Gökhan ERÜN	Deputy Chairman of Board of Directors	NON EXECUTIVE
Turgay GÖNENSİN	Member of Board of Directors	EXECUTIVE
Osman Bahri TURGUT	Member of Board of Directors	NON EXECUTIVE
Luis Vincente GASCO TAMARIT	Member of Board of Directors	NON EXECUTIVE
Hasan Hulki KARA	Member of Board of Directors & General Man.	EXECUTIVE
Serhat YANIK	Independent Member of Board of Directors	NON EXECUTIVE
Ali ÇOŞKUN	Independent Member of Board of Directors	NON EXECUTIVE

**Top Executives**

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

## COMMITTEES FORMED WITHIN BOARD OF DIRECTORS

AUDIT COMMITTEE	
Serhat YANIK	Independent Board Member
Ali ÇOŞKUN	Independent Board Member
CORPORATE GOVERNANCE COMMITTEE	
Serhat YANIK	Independent Board Member
Osman Bahri TURGUT	Board Member (Non – executive)
Serap ÇAKIR	General Accounting (Department Man. IRD Man.)
EARLY DETECTION OF RISK COMMITTEE	
Serhat YANIK	Independent Board Member
Ali ÇOŞKUN	Independent Board Member

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

	2014/12(000)	2015/12(000)	Change %
Total Assets	2.989.573	2.970.521	-0,64
Factoring Receivables	2.948.107	2.850.203	-3,32
Paid in Capital	79.500	79.500	-
Equity	140.383	165.762	18,08

Source: Garanti Faktoring A.Ş. 2015 Annual Report

### Income Statement Comparison of Company's Certain Selected Items *as of Last 2 Yearends*

	2014/12(000)	2015/12(000)	Change %
Factoring Revenues	188.109	237.682	26,35
Operating Expenses	(38.224)	(40.035)	4,74
Financial Expenses	(152.313)	(221.361)	45,33
Net Profit/Loss	20.516	25.430	23,95

Source: Garanti Faktoring A.Ş. 2015 Annual Report

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

Bottom (TL)	Peak(TL)
1,60 (27.07.2016)	2,19 (03.02.2016)

Source: Garanti Faktoring A.Ş.

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

-NATIONAL MARKET

-BIST FIN. LEAS., FACTORING / -BIST CORPORATE GOVERNANCE / -BIST FINANCIAL / -BIST ALL / -BIST ALL-100 / -BIST NATIONAL

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

## ***Brief History of the Company***

The company was established in September 1990, with the title of “Aktif Finans Faktoring Hizmetleri A.Ş.” It is one of Turkey’s first factoring companies.

Initial Public Offering of company’s shares took place on December 23, 1993.

It moved into Doğuş group as the majority of its shares were purchased by Doğuş Holding in 1996.

Corporate identity of its main shareholder, T. Garanti Bank A.Ş., was reflected on the company and its name changed into Garanti Faktoring Hizmetleri A.Ş. in 2001. On 17.04.2014 the company name became Garanti Faktoring A.Ş.

Banco Bilbao Vizcaya Argentaria S.A (“BBVA”) Group became equal strategic partner with Doğuş Group in the management of Garanti Bank by buying shares from GE Capital Corporation ve Doğuş Holding A.Ş. in 2011. Today, Banco Bilbao Vizcaya Argentaria S.A (“BBVA”) Group holds 39.90 % of shares in T. Garanti Bank A.Ş. and 32.66 % in Garanti Faktoring A.Ş.

Company operations include domestic factoring transactions, as well as international transactions in line with customer needs.

## ***Information on Company Operations***

Garanti Faktoring was established on September 4th, 1990 as Aktif Finans Faktoring Hizmetleri A.Ş. to provide factoring services for industrial and commercial companies. According to the decision taken at the 2001 Ordinary General Assembly, which took place on March 27, 2002, its commercial title was changed as Garanti Faktoring Hizmetleri A.Ş and the company started to operate within Garanti group. On April 17, 2014 the title was changed as Garanti Faktoring A.Ş.

Having received authorization from Capital Make Board, the company completed initial public offering of its shares and became quoted at Borsa İstanbul (“BİST”) in 1993. The company continues its operations within the frame of Capital Market Law, “Financial Hiring, Factoring and Finance Companies Law”, issued on Official Gazette no 28496 and dated 13.12.2012 and “Law for Establishment and Operation of Financial Hiring, Factoring and Finance Companies” issued on Official Gazette no 28627 and dated 24.04.2013.

With a focus on trade and receivable finance, Garanti Factoring provides full factoring service through financing, guarantee and collection solutions in international and domestic trade. 8.4 % of its shares are traded at BIST National Market, under the title of GARFA.

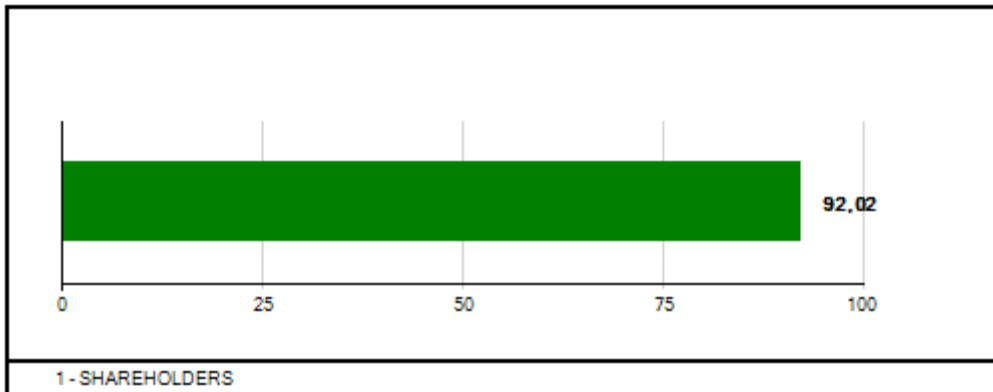
Garanti Factoring conducts its domestic and international factoring transactions through a wide network, thanks to the synergy of Garanti brand. Serving a wide customer base that includes SMEs, companies that are predominantly known as importers or exporters and organizations that have wide supplier and vendor networks, it successfully delivers factoring products and services to whole country.

Garanti Factoring has 20 branches in Turkey's 14 provinces. Its paid in capital became TL 79,500,000 in 2013.



## 4. RATING SECTIONS

### A. SHAREHOLDERS



#### Overview

- ✓ Investor Relations Department Manager has the licences that are made obligatory by CMB.
- ✓ Relations with shareholders continue on a healthy basis.
- ✓ General Assemblies are held in accordance with law, regulations and Articles of Association.
- ✓ Dividend policy is updated and presented for the approval of the General Assembly.
- ✓ Donations and Aid policies are prepared and presented for the approval of the General Assembly.
- ✓ There are no regulations that make the use of voting rights difficult.
- ✓ Share buy-back policy is updated in accordance with the new CMB Communiqué.
- ✗ There are restrictions in transfer of A Group shares.
- ✗ There is privilege in voting right in terms of nomination for Board of Directors.
- ✓/✗ It would be appropriate to make a provision in the Articles of Association, stating that general assembly will be open to public.
- ✓/✗ It would be appropriate to make a provision in the Articles of

Association, extending minority rights.

In this section, as stated CMB's Corporate Governance Principles, the company was evaluated on 115 different criteria, including **Facilitation 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 **92.02**.

#### α. Facilitating the Exercise of Shareholders' Rights

Investor Relations Department is organized within General Accounting Department. General Accounting Department reports to Executive Vice President Mert ERCAN. The Department is headed by Serap ÇAKIR (Department Manager). Şebnem DEDE (Manager) and Ümit YILDIZ (Manager) also work at the department.

Investor Relations Manager Serap ÇAKIR has Corporate Governance Rating Expert (701222) and Capital Market Operations Level 3 (208344) licenses. Manager Şebnem DEDE has a license of Capital Market Operations Level 3

(206779). Garanti Factoring, which is among BIST Third Group Companies, has fulfilled the obligation for its Investor Relations Department Manager to have CMB license in accordance with CMB Corporate Governance Communiqué no II.17-1. The fact that more than minimum numbers of licensed staff works in the Investor Relation Department is deemed as a positive practice by us in terms of succession planning. In compliance with CMB Corporate Governance Communiqué no II.17-1, Serap ÇAKIR was appointed as a member of Corporate Governance Committee on 25.03.2015.

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

Job description of Investor Relations Department has been made and it includes the duties stated at the 11/5 item of CMB Corporate Governance Communiqué No II-17.1.

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

It is confirmed that the Company has achieved a good level compliance with the principles in this subsection.

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

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

All information concerning the company has been given on time, truthfully and

completely. There have been no warnings or penalties on this issue given by Regulatory authorities.

It has been seen that inquiries of shareholders have been responded in the shortest time and sufficient care has been given for them to obtain and examine information. In 2015, the Company 5 questions by shareholders / investor through phone, 2 questions by e mail. We deem it positive that the Company keeps record of oral information requests by shareholders.

The "Disclosure Policy" is published on the website, explaining in detail the shareholders' right to get and examine information under the aforementioned policy.

There is no regulation and practice by the Articles of Association and/or a decision by any corporate department to cancel or restrict shareholders' right to obtain and examine information.

There are no regulations and practices that make it difficult for shareholders to exercise their right to request appointment of special auditor from the general assembly. The expression, "The rights of shareholders in the appointment of special auditor in accordance with the regulatory items are protected" at Article 16 of Articles of Association, underlines the right of shareholders to request special auditor.

It is determined that the Company has achieved good level compliance with the principles in this subsection.

***c. Right to Attend the General Assembly***

Due to the practices in the process of general assembly meeting, **GARANTİ FAKTORİNG** has achieved a good level compliance with many principles in this subsection.

The General Assembly meeting to discuss operations of 2015 took place on 23.03.2016; its announcement was made on 19.02.2016.



It has been found that financial tables, annual reports, audit reports and Board's dividend proposal, all of which should be ready for the review of shareholder according to Article 437 of Turkish Commercial Act no 6102 and other announcements that partnership should make in accordance with regulations and Corporate Governance Principles have been sent with shareholders three weeks before the General Assembly.

In order to increase the attendance of shareholders, to avoid inequalities among them and to keep their costs at minimum, general assembly meetings are held at the company's head office.

The document explaining the items of general assembly agenda was put on the corporate internet website simultaneously with the announcement of general assembly. It has also been observed that the shareholders have been notified about total number of shares reflecting company's shareholding structure and voting rights as of the announcement date, as well as number of shares representing privileged shareholders and voting rights. On the corporate internet website, the shareholders have been informed - simultaneously with general assembly announcement - about possible candidates and reasons of change in the event of having the change of board members on the agenda.

It has also been learned that the shareholders have been informed on requests for agenda items made by shareholders, CMB, other public institutions and / or enterprises. The issues that were requested in writing by shareholders to be on the agenda were taken into consideration by the board of directors when preparing the agenda.

When the agenda was being prepared, special care was given to express the items clearly in order not to cause different interpretations and to avoid using expressions like "other" or "various".

As a result of the review of general assembly minutes and attendance tables it has been learned that some of board members, company auditor, officers responsible for preparing financial tables and persons related to specific issues on the agenda were available at the meeting. Company Auditor Şule BEKÇE has also attended the general assembly.

It has been found that the items on the agenda were separately voted and the results were shared with shareholders before the closure of the meeting. It has also been noted that the chairman of the meeting has taken great care to have the issues of the agenda expressed objectively, comprehensively, clearly and simply. Shareholders have been able to express their opinions and ask questions under equal circumstances.

It has been seen that the chairman of the meeting let all the questions of shareholders to be answered, except those that are accepted as trade secret. All the questions and answers have been disclosed to public by being recorded at the minutes and annual reports.

Allowing majority shareholders, board members, managers with administrative responsibilities their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in commercial activities in the same business area with the company or its subsidiaries in their own name or on behalf of someone else or joining another company, who operates in the same business area, as unlimited partners was included in the general assembly agenda as an issue.

General Assembly was informed on company's asset, service and responsibility transfers on continuous basis and guarantees, pledges and mortgages in favor of third persons in accordance with CMB directive serial: IV, No:41. In another item, the general assembly was informed on amount of all aids and donations for that period.

There are no items in the general assembly information document and in the Articles of Association says that general assembly meetings are open to public including stakeholders and media, without right to address the meeting. It is seen as a drawback for this subsection.

In this subsection the company has achieved good compliance with principles.

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

Neither the Articles of Association nor the internal procedures contain any difficulties to exercise the voting right and opportunity to exercise the 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 a shareholder or not at the general assemblies, the members are submitted with the specimen proxies to be used for this purpose at firm's headquarters and on corporate internet website.

Voting method has been regulated by the Articles of Association and shareholders are informed on the subject at the meetings.

**GARANTİ FACTORİNG** doesn't have a subsidiary with mutual relationship which brings sovereignty.

However the fact that the board has the privilege of being chosen from among candidates put forward by (A) group shareholders has been evaluated as an area that needs improvement in order to have compliance with principles.

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

There has not been any violation of exercising on minority shareholders' rights such as attendance to the general assembly meeting, representation by proxy, imposition of no

upper limit for voting rights. In this manner it is found that care is given to the exercise of minority rights.

However, it would be appropriate to widen the scope of minority rights in the articles and include arrangements to give the same rights to shareholders less than one twentieth of the capital.

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

Pursuant to the criteria laid down by CMB "Communiqué on Dividends" no II-19.1, issued by Official Gazette dated 23.01.2014, No: 28891, the Company has revised its Dividend Policy and it was approved by the shareholders at the general assembly on 17.04.2014.

It is ascertained that the 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. It has been emphasized that this policy was prepared taking into consideration the delicate balance between the expectations of shareholders and the needs of the company.

The shareholders have been informed in the dividend policy that there are no privileges in the distribution of dividend and that existing shares will get dividends equally without the principle of per diem deduction.

It is also indicated in the same policy that in case of not distributing dividend proposed by the Board of Directors in the general assembly, its reason and information on the usage of undistributed profit will be presented to the shareholders in the general assembly and this information will be shared with public through annual report and corporate website.

At the general assembly on 23.03.2016, it was decided that to transfer 2015 net profit of TRY 25,429,841.17 into legal and extra ordinary reserve accounts and keep within the Company – taking into consideration delayed net income effect of TRY 715,560.69,

calculated from same period's profit. The shareholders were informed about the reason of this decision and usage of profit at the same general assembly.

It is our opinion that in this subsection **GARANTİ FACTORİNG** has achieved a very good level compliance with the principles.

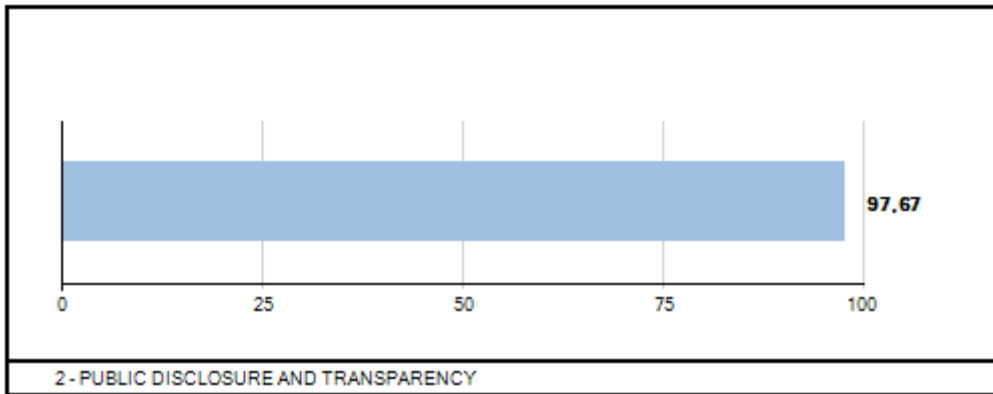
***g. Transfer of Shares***

According to Article 7 of Articles of Association, A and B group shares are issued for real names. As the shares apart from B group are not offered to public, if there is a shareholder who wants to transfer A Group shares, other shareholders with registered shares have the priority right to buy these shares at the current price and in ratio of their own shares. The shareowner who wants to transfer shares has to notify other shareholders, with registered shares, through notary. If there is no demand from shareholders within 1 month after the notification, the shares can be transferred to third persons with the permission of board.

Registered shares and those traded in stock exchange are not included in this regulation.



## B. PUBLIC DISCLOSURE AND TRANSPARENCY



### Overview

- ✓ Disclosure policies have been revised and announced to the public in electronic media.
- ✓ Corporate website is being used effectively as a current tool for public disclosures within the context as referred by the principles.
- ✓ The information and documents, required by principles to be on the corporate website, are published based on last five years.
- ✓ Information in the website has also been prepared in English.
- ✓ Ultimate majority real person shareholders of the company are disclosed to public.
- ✓ The annual report is comprehensive and its content reflects the principles to a great extent.

As for this section, the Company has been assessed by **88** different criteria under the headings of **Corporate Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **97,67**.

**GARANTİ FACTORİNG** does its public disclosures within the scope of its Disclosure Policies developed by the board and shared with public.

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

Principles for disclosing information intended for future are also included in the disclosure policy. It is observed that in case of disclosing future information to public, assumptions and hypothetical data are also disclosed, and information doesn't contain exaggerated predictions. Furthermore, assumptions are in line with company's financial situation and operational results.

#### a. Corporate Website

Information in Company's website ([www.garantifactoring.com](http://www.garantifactoring.com)) is updated regularly and the website is being used as an active and effective platform for disclosure to public. Information in corporate website is consistent with the statements made as part of regulations and there is no missing or conflicting information.

On the company's website, alongside with information bound to be disclosed by regulations, there is commercial registry info,

information on latest shareholding and management structure, detailed information about privileged shares, dates and numbers of commercial registry newspapers where changes were published along with the final text of company's Articles of Association, special case declarations, financial reports, annual reports, agendas of general assembly meetings, the lists of attendees, the proceedings of the assemblies, the specimen Proxy, dividend policy, disclosure policy, remuneration policy, donation and aid policy, redemption of shares policy, ethical rules prepared by the company, information requests, questions and notifications and answers given under frequently-asked questions title.

Shareholding structure were disclosed to the public - after eliminating indirect and mutual participation relationships - including names, share amounts, ratios and privileges of real person shareholders with more than 5 % of shares.

This information on the website is also published in English for usage by international investors.

Financial statement notifications are disclosed on Public Disclosure Platform in Turkish and English simultaneously, in accordance with the capital market regulations.

In this subsection **GARANTİ FACTORİNG** has achieved a very good level compliance with the principles.

#### ***b. Annual Report***

It is clear that board of directors has prepared the annual report of company's activities in such a way that comprehensive, complete and correct information is provided. Annual reports of the last five years are accessible for shareholders and the public on electronic media.

It is possible to reach many topics in the annual report, including;

CV's and tenures of board members and top executives,

Information about the sector that company operates and its position within the sector,

Information about the company's financial resources, qualifications and amounts of its issued capital market tools,

Changes made in the Articles of Association during the period and reasons for them,

Corporate Governance Principles Compliance Report,

Information on related party transactions and balances, which is obligatory to disclose according to the regulations and

Independent audit reports.

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

Board members' and managers' ongoing jobs outside the company,

Declarations of independent board members on their independence,

Members of subcommittees within the board of directors and meeting frequencies of these committees,

Changes of regulations, which might significantly affect company operations,

Important law suits against the company and their possible conclusions,

Social rights and professional training of employees, as well as other company activities that have social and environmental impacts and corporate social responsibility activities,

The need for permission by the general assembly for majority shareholders, board members, managers with administrative

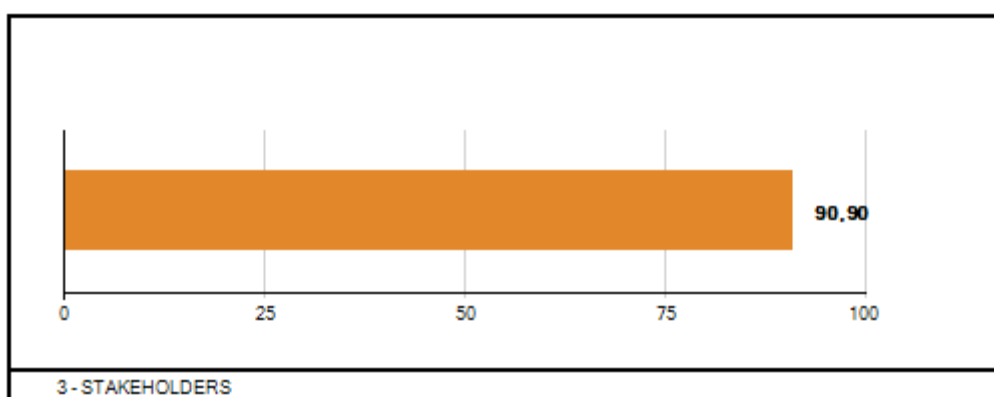
responsibilities their spouses and first and second degree relatives to have transactions that might cause conflict of interest with the company or its subsidiaries or to engage in competitive commercial activities.

The fact that there were no information on company measures to prevent conflict of interest between the company and service suppliers in the fields like investment consultancy and rating is seen as an area of annual reports, which needs re – regulating.

In this subsection **GARANTİ FACTORİNG** has achieved a very good level compliance with the principles.



## C. STAKEHOLDERS



### Overview

- ✓ Ethical Rules have been prepared and disclosed in electronic means.
- ✓ There are no regulations to complicate usage of stakeholders' rights.
- ✓ Many subjects concerning employees, public institutions, customers and stakeholders, such as; human resources policies, customer information procedures on work flow, procedures to prevent money laundering of criminal revenues are internally regulated.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There has been no complaint by employees about discrimination and getting their rights.
- ✓ Compensation policy for employees has been prepared and disclosed to public.
- ✓ Care is given to confidentiality of information about customers and suppliers on the basis of commercial secrets.
- ✗ There are no provisions in the Articles of Association or internal regulations supporting participation to management of employees and stakeholders.

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 **90,90**

#### a. Corporate Policies 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 **GARANTİ FACTORİNG** protects the stakeholders' rights, which are specified in regulations and mutual agreements.

It is concluded that the company respects the stakeholders' right 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 is observed that many internal regulations were prepared to this end.

Compensation Policy for employees has been prepared and disclosed to public via corporate website.

Stakeholders are adequately informed on company policies and procedures to protect their rights and company's corporate website ([www.garantifactoring.com](http://www.garantifactoring.com)) is being actively used for this purpose. Necessary mechanisms have been formed for the stakeholders to inform Corporate Governance and Audit Committees about operations contrary to company's regulations and ethically improper behaviours.

In this subsection **GARANTİ FAKTORİNG** has achieved el compliance with the principles to a significant extent.

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

There are no provisions in internal regulations or Articles of Association supporting employees' participation to management. Through periodically organized regional, budgetary and performance interviews, as well as weekly active – passive meetings information on company's progress is shared, proposals are made and developments are followed. It has also been expressed that employees' opinions and suggestions on many issues are received through company's intranet system.

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

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

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

Performance and reward criteria have been established and disclosed to employees, in determination of benefits provided to employees mentioned criteria is followed.

The company implements education programs to increase knowledge, capability and experience of the employees and prepares education policies.

Company provided a total of 3,614 hours class and on the job training in 2015. Annual time of training is 20 hours per employee.

More than 300 training were organized under 40 different headings for class and on the job trainings in 2015. Training topics included technical and occupational fields like Advanced Excel, Commercial Credits, Finance with Excel, Macro Excel, GRIF, IFRS, as well as personal development training such as Stress Management, Coaching, Creating Thinking and Innovation Techniques, Fast Reading Techniques, Persuasion and Managing Conflict, Being Result Focused, Presentation Talents and Written Communication Techniques.

In parallel to requests of employees, Rotation programs have been organized and special Performance Management training has been given to directors and managers.

In 2015, trainings of IFG and FCI – two leading factoring chains – were included in **GARANTİ FAKTORİNG's** training catalogue. In order to meet employees' training needs faster, 30 different e – course trainings were given and employees participated 15 different activities such as seminars, conferences or congresses, within their fields of professional expertise.

Basic Work Health and Safety – Emergency and Ergonomics trainings were also given to 13 employees within the scope of work health and safety in 2015. E course was launched for



10 employees in Basic Work Health and Safety. Alongside basic trainings, certificated First Aid training was provided for 6 employees. All employees are also required to take e - courses on Laundering Criminal Income and Preventing Terror Finance within the Company.

As of June 30, 2016; employees have taken 2,449 hours of on the job and class trainings. 14 hours of training has been provided per employee.

**GARANTİ FAKTORİNG**'s basic human resources policy includes prioritizing in - house promotions and recruiting managers from within the company. In 2015, all promotions were chosen from employees trained by the Company.

Reward program that has been continuing since 2013 aims to reward those employees who are compliant with Company's targets and strategies and "creating difference", in pre - determined categories and to create a difference within the Company. 14 employees were rewarded in 2015.

It is learned that briefing meetings for employees on subjects such as financial situation of the company, remuneration, career, education and health are being held and exchange of opinions take place. It has been expressed that a vision meeting about Company's financial situation takes place annually and exchange of opinions take place on other HR policies at performance meetings, held twice a year and training need meetings. Employees can call, consult and give their opinions to human resources officials on all topics.

The company's organization chart has been prepared according to work conditions and units; number and qualification of employees for these units have been specified in written internal regulations.

As a result of investigations within the Company, it is learned that the employees are provided a safe work environment and

conditions; there are no discrimination among employees in terms of race, religion, language and gender.

The authorities declared that regulations for employees are updated when necessary and shared with the employees.

There are no employee stock-options schemes.

There is no restriction on the freedom of founding an association after taking permission. Employees are not members of any trade-union.

In this subsection **GARANTİ FAKTORİNG** has achieved a rather good level compliance with the corporate governance principles.

#### ***d. Relations with Customers and Suppliers***

Information and documents obtained from customers and suppliers during the activities are kept confidential within the scope of trade secret security, not to be reached by unrelated individuals. Contracts and invoices obtained from customers as documents are kept in the head office building and Seyrantepe archives. The documents obtained from customers by facsimile are monitored through DMS (Document Management System) and archived under credit reference. If it is deemed necessary, the e-mails from customers are registered into DMS and kept in the system. Use of DMS is subject to authorization. Authorized staff can monitor or enter information on the basis of a specific transaction reference. The company works to ensure information privacy in the electronic environment through DLP (Data Loss Prevention) Data Leak Monitoring System.

Policies about suppliers and outsourced services are prepared and their standards are determined.

In this subsection **GARANTİ FACTORİNG** has achieved a very good level compliance with the principles.

***e. Ethical Rules and Social Responsibility***

Code of Ethics and Business Conduct, required to be complied by all employees, have been laid down, approved by the Board and they appear on the company website. Our impression is that activities are conducted within the framework of ethical rules that are disclosed to public.

The employees are informed on Factoring Sector Ethical Rules, as well as company ethical rules and this document is shared with public in electronic environment.

Although only partially disclosed to public, on close examination it is seen that the ethical rules are very comprehensive and compliant with the principles. The company has made comprehensive arrangements in its ethical principles to fight all sorts of corruption including embezzlement and bribery. The sanctions to be taken against employees who violate ethical principles are written on work contracts.

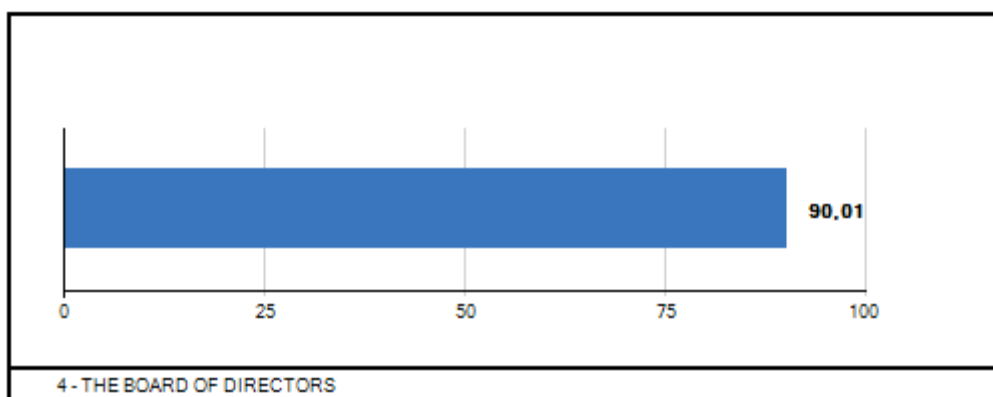
**GARANTİ FACTORİNG** is conscious of its social responsibilities in its commercial activities, alongside with profitability. It supports social and cultural activities and participates to foundations and joint projects within the Group it operates. Within the scope of Bahçeşehir University CO-OP project, the 5<sup>th</sup> of which took place in 2015, company managers gave 27 hours of lectures in 9 weeks. Managers shared sector information with Bahçeşehir University students. Students also actively participated to customer visits for a week.

The Company made donations to Community Volunteers Foundation, Hope Foundation for Children with Cancer and Turkish Education Foundation (TEV) in 2015. Through “Garanti Factoring Scholarship Fund” established within Community Volunteers Foundation, the

Company also provided grants for 12 students in 2015.

In this subsection **GARANTİ FACTORİNG** has achieved a very good level compliance with the principles.

## D. BOARD OF DIRECTORS



### Overview

- ✓ Company's strategic targets, as well as human and financial sources it requires have been determined by the Board of Directors.
- ✓ The posts of Chairman and CEO are carried out by separate individuals and there isn't any person with solely unlimited authority in the company.
- ✓ The number of Board Members is adequate for them to work productively and creatively.
- ✓ Majority of Board Members are non-executives.
- ✓ 2 of non-executive Board Members are independent members.
- ✓ Every Board Member has one vote.
- ✓ There isn't any loan/credit involvement between Board Members and company.
- ✓ Corporate Governance, Audit and Early Detection of Risk Committees stated in the principles have been established and working principles are determined.
- ✓ Manager Liability Insurance amounting to over 25% of the capital against defects of Board Members, during they perform their duties, has been made.
- ✗ No targeted ratio and policy have been prepared for woman members of the board, for a ratio no less than 25%.
- ✗ There is no practice of self-criticism and performance evaluation for Board Members, neither as board nor as members.
- ✓/✗ The remuneration and other interests provided for managers with administrative responsibilities are not disclosed 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 90,01.

#### **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 balance with paying attention to company's long term interest in particular under a reasonable and prudent risk management approach. In this sense, Board of Directors has described the corporate strategic objectives, and determined the required human and financial resources.

Board of Directors monitors company activities to be in compliance with regulations, Articles of Association, internal procedures and policies and audits 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 **GARANTİ FACTORİNG** has achieved a high level compliance with the principles.

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

**GARANTİ FACTORİNG** 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.

It has been learned that the Board of Directors has developed internal control systems including risk management and IT systems to minimize effects of risk and processes on shareholders and stakeholders. It has also been found that the Board of Directors reviews at least once a year the effectiveness of risk management and internal control systems. The Board has developed internal control systems including risk management and IT systems to minimize

effects of risk and processes on shareholders and stakeholders. It is found that the Board reviews at least once a year the effectiveness of risk management and internal control systems.

No person in the Company has the authority to decide solely and in an unrestricted fashion. Posts of Chairman of the Board and CEO are hold by different individuals. Powers of the chairman of the board of directors and general manager are separated and this separation is regulated in the Articles of Association.

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

Manager Liability Insurance amounting to over 25% of the capital against defects of Board Members duties has been made. However it has not been disclosed on Public Disclosure Platform.

In this subsection **GARANTİ FACTORİNG** has achieved a rather good level of compliance with the principles.

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

Company's Board of Directors is formed with 8 members; including 1 (one) Chairman and 7 (seven) members. The requirement of having at least 5 members to form the Board has been met and the number of Board Members found sufficient to serve effectively and constructively and to form and organize activities of committees.

The Board of Directors comprises executive and non-executive directors, and the principle that majority of directors should be non-executive is respected. 3 (Three) of the

directors are executives while 5 (Five) of them are non-executives. On the other hand 2 (Two) of non-executive directors are independent ones. It is confirmed that the independent members satisfy the independence criteria laid down by the Principles. Corporate Governance Committee (as Nomination Committee) has assessed the nominations for independent candidates, including members of the management and shareholders, focusing on the fact that whether the candidate had the criteria for being independent and sent its assessment as a report for approval of board of directors. Independent Directors have presented their written representations that they are independent under the legislation, the Articles of Association and the criteria laid down by the Principles to the Board and these representations are disclosed to public in electronic environment, annual report and Corporate Governance Compliance Report.

There are no women directors in the Board. It would be appropriate for the company to determine a target ratio – no less than 25 % , a deadline and policies to reach these targets and for the Board of Directors assess progress on these targets annually.

In this subsection **GARANTI FACTORING** has generally achieved compliance with the principles.

#### **d. Procedure of Board of Directors Meetings**

The Board comes together frequent enough to implement its duties efficiently. Number of Board meetings, required majority to convene and to take decisions are all written in the Articles of Association.

Procedure of Board of Directors meetings has been written in company internal regulations. In the regulation on “Methods and Principles for Board of Directors Meetings”;

- Processes about invitation of Board Members to meeting and their preparation for it are defined,

- It is stated that distribution of responsibilities in the Board of Directors will be done at the first meeting after election,

- It is stated that the Board will convene when necessary and at least once a month,

- Method to prepare meeting’s agenda is described,

- It is stated that information and documents related to the items of the agenda will be presented for the examination of members at least 7 (Seven) days before the meeting,

- It is stated that each member is entitled one voting right and there are no weighted voting rights or positive / negative veto right for members,

- The obligation of Board Members to provide information to each other and of managers to provide information to the Board is described,

- It is stated that minutes of those important Board decisions that might have an impact on the value of CMB instruments will be put on the corporate website with priority,

- It is stated that in all transactions that are important in terms of Corporate Governance Principles and in all types of Company’s transactions with related parties and third parties, such as guaranties, pledges and mortgages, Corporate Governance Principles regarding Capital Market Board regulations, which are obligatory to implement will be complied with,

and many more topics mentioned in the principles are regulated and it has been determined that implementation is in compliance with these regulations.

Board members’ jobs outside company are disclosed to the shareholders at the general assembly meetings where the election of these members is discussed. Distinction between jobs within the group and outside the group is made.

It has been determined that board meetings take place regularly at least once a month

and generally more than that. In 2015 board of directors met 18 (eighteen) times and as of 30.06.2016, there have been 7 (seven) board meetings.

There are no restrictions on board members for taking a job or jobs outside the company. However it is seen that members take care to allocate the necessary time for company affairs.

In this subsection **GARANTİ FACTORİNG** has achieved a rather good level of compliance with the principles.

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

In order for the Board of Directors to fulfil its duties and responsibilities soundly, Auditing Committee, Corporate Governance Committee and Early Detection of Risk Committees have been established. 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 of Corporate Governance Committees has been determined accordingly.

The committees' duties, working principles and their members have been determined and approved by the Board of Directors as documents in writing; then they have been disclosed to public via electronic means and Public Disclosure Platform.

The company has stuck with the principles, which require that all members of the Audit Committee and minimum the Chairman of other committees are appointed from independent members and the General Manager has no assignment in any committee.

All sources and support are provided by the Board to ensure the committees perform their duties.

Committees invite appropriate executives to their meetings to benefit from their opinions. All discussions in committees are recorded in writing.

Committees convene with the frequency deemed necessary for the efficiency of their activities. They report information on their activities and results of their meetings to the board of directors.

**The Audit Committee;** monitors performance and effectiveness of company's accounting system, public disclosure of financial information, independent audit and internal control system. The selection of independent audit company and supervision of its work at every stage is implemented by the audit committee. The committee reviews company's processes and activities on subjects like accounting system, financial reporting, public disclosure, internal control and audit system, independent external audit, compliance with law, regulation and ethical principles. If it deems necessary, the committee makes suggestions to the board.

Internal Audit Department, operating in conjunction with the Board of Directors through Audit Committee, audits the effectiveness and performance of internal control and risk management systems within the scope of annual audit plan, prepared according to risk assessments. On the other hand, it's explained by the officials that internal control mechanisms to complied with and implemented by staff at all levels had been established in order to ensure that company activities are carried out in accordance with current legislation and within the framework determined by the Board of Directors and to ensure the integrity and reliability of accounting and reporting systems. Internal Audit Department has conducted 9 unit / process audits and prepared 14 reports as a result of these audits in the rating period.

The Audit Committee convened 7 (seven) times in 2015 and 4 (four) times as of the date of this report in 2016. Important findings and

results of periodic audit activities conducted by Internal Audit Department have been discussed in these meetings and resulting findings have been reported to the Board of Directors. Committee activities have been comprehensively disclosed to public in the annual report.

The Committee comprises 2 (members) and both members meet the principle of having “at least one member with 5 years of experience in audit / accounting and finance.”

**Audit Committee comprises following members:**

Name Surname	
Serhat YANIK	Member (Independent)
Ali ÇOŞKUN	Member (Independent)

**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 these to public through Corporate Governance Compliance Report.

The Committee consists of 3 (three) members. 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 members. In accordance with CMB Corporate Governance Communiqué number II.17-1, Investor Relations Department Manager Serap ÇAKIR has been appointed as member of Corporate Governance Committee by the decision of Board of Directors, dated 25.03.2015.

Corporate Governance Committee convened 7 (seven) times in 2015 and twice (2 - two) as of the date of this report in 2016. It reported meeting results to the board of directors. Committee activities and number of meetings

have been disclosed to public in the annual report.

Working closely with the Corporate Governance Committee, Investor Relations Department reports to the Committee about its activities twice a year.

**Corporate Governance Committee comprises following members:**

Name Surname	
Serhat YANIK	Chairman (Independent)
Osman Bahri TURGUT	Member (Non - executive)
Serap ÇAKIR	Member (Investor Relations Department Manager)

**Early Detection of Risk Committee** was established with the board decision dated 26.02.2014. The committee is charged for early detection of risks that may endanger the existence, development and sustainability of the company; it takes necessary measures against determined risks and manages the risk. It reviews the risk management system for at least once a year. Working principles of the committee have been prepared and disclosed to public in electronic environment.

The committee has redefined the risks that might endanger the existence, development and sustainability of the Company and made the “Methods for Risk Management Strategy, Policy and Implementation” an internal arrangement. The arrangement was approved and put into effect at the board of directors meeting dated 07.04.2014.

Early Detection of Risk Committee convened 6 (six) times in 2015 and 3 (three) times as of the date of this report in 2016. It reported meeting results to the board of directors. Committee activities and number of meetings have been disclosed to public in the annual report.

**Early Detection of Risk Committee comprises following members:**

Name Surname	
Serhat YANIK	Member (Independent)
Ali ÇOŞKUN	Member (Independent)

In this subsection the company has achieved rather good level of compliance with the corporate governance principles.

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

Guidelines of remuneration of board members and top executives have been written, approved by the general assembly and disclosed to public in the electronic environment.

It is observed that actions have been taken in compliance with the principle, which states that stock-options or payment plans based on corporate performance should not be used for remuneration of the independent directors. The emoluments of independent directors are sufficient to protect their independency.

It has been learned that the Company has not lent or extended loan to any member of board 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.

Remuneration and all other benefits provided to directors and top executives meets the latter part in the statement, "on personal basis or board of directors and top executive basis" in the chapter 5.6 of sample Corporate Governance Compliance Report, prepared by CMB, by making the separation between board of directors and top executive. However it doesn't meet the first part of that statement, i.e., "on personal basis".

The issues below are determined as areas in need of improvement in this subsection;

There is no target ratio, deadline or policy for the ratio of women – no less than 25 % - in the board;

Despite the fact that the board is responsible for the achievement of publicly declared operational and financial performance targets of the company, there is no explanation in the annual report about whether the targets were achieved or not and the reasons are not laid down in case they have not been achieved;

Board of directors doesn't evaluate its performance or self criticize itself on personal basis or as a whole;

There is no practice of awarding or dismissing board members on the basis of their performance.



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

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

GRADE	DEFINITIONS
<p style="text-align: center;"><b>4-5,9</b></p>	<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 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>
<p style="text-align: center;"><b>&lt; 4</b></p>	<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>