



Corporate Governance Compliance Rating Report



Garanti Emeklilik ve Hayat A.Ş.

30th December 2016

Validity Period 30.12.2016-30.12.2017

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Garanti Emeklilik ve Hayat Anonim Şirketi, has been compiled in accordance with 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 and Undersecretariat of Treasury's Communiqué on Corporate Governance Principles for Insurance, Reassurance and Private Pension Companies published on 27.04.2011, No 2011 / 8.

The criteria, established for the companies, are organized separately as First Group, Second Group and Third Group companies, investment partnerships and companies whose stocks are not traded at BIST, taking into consideration the group distinctions stated by Article 5, Item 2 of CMB's Corporate Governance Principles Communiqué no II-17,1 published on Official Gazette no 28871, dated January 3, 2014.

The Rating Report prepared by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 74 copies of documents, data and files transmitted by the 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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**GARANTİ EMEKLİLİK VE HAYAT
ANONİM ŞİRKETİ**

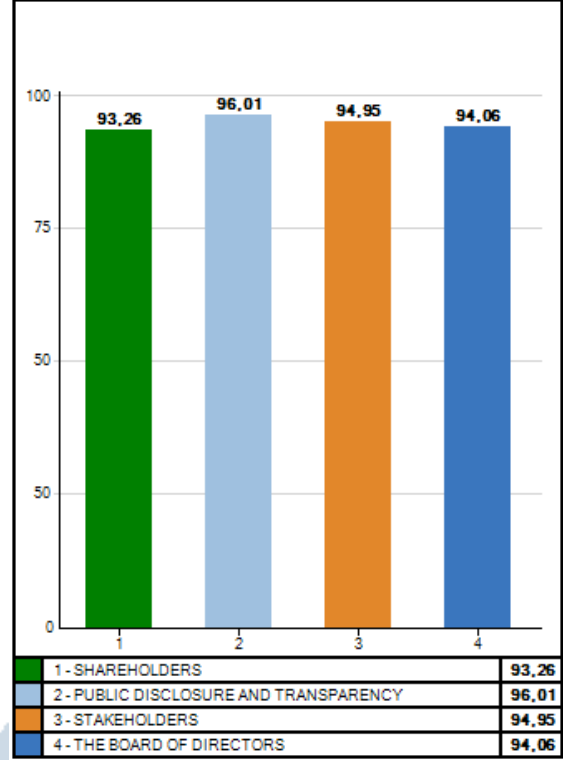
UNLISTED COMPANY

**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

9.45

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1. FOURTH PERIOD REVISED RATING RESULT

The process of rating of compliance of **GARANTİ EMEKLİLİK VE HAYAT A.Ş.** with the Corporate Governance Principles is concluded through onsite examinations of the documents, interviews held with executives and persons involved and by other examinations, in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş.

At the end of examination of **350** 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 assessment by the methodology of Kobirate A.S., developed for "Out of BIST Companies", the Corporate Governance Compliance Rating Grade of **GARANTİ EMEKLİLİK VE HAYAT A.Ş.** is determined as **9.45**.

This result signifies that **GARANTİ EMEKLİLİK** has achieved a considerable compliance with the CMB's Corporate Governance Principles. Internal control systems have been created and working. Possible risks for the company have been determined to a considerable extent and actively controlled. Shareholders' rights are being treated fairly. Public Disclosure and Transparency activities are at high level. Stakeholders' rights are being treated fairly. Structure and working conditions of Board of Directors are in full compliance with corporate governance principles.

In view of rating process under main headings in brief;

It is observed that the **GARANTİ EMEKLİLİK** has obtained a grade of **93.26** in respect to **Shareholders'** Section. It is seen that the company in general has achieved a good level of compliance with the CMB Corporate Governance Principles in this section.

Reporting to Assistant General Manager, Department of Law and Relations with Shareholders has been founded and disclosed to public. Non existence of practices in Partnership management that makes private audit difficult, timely and duly convention of general assembly (the Ordinary General Assembly Meeting for activities of 2015 was held on 04.05.2016 at the head office with the participation of all shareholders, in accordance with the Articles of Association), non existence of privileges in voting rights and avoidance of practices that make it difficult to exercise voting right are seen as salient positive achievements.

It has been deemed positive that **GARANTİ EMEKLİLİK** who gained **96.01** for **Public Disclosure and Transparency** has provided access to several current data on the corporate internet website, which are specified in the principles and provided all information in full in addition to those specified in the 13th article of Directive on disclosure in Insurance contracts, dated 28.10.2007 and printed on Official Gazette number 26684.

With its 2015 Annual Report, Garanti Emeklilik ve Hayat A.Ş. won the Gold Award at League of American Communications Professionals (LACP) Vision Awards, which is accepted as the highest level award since 2001.

Garanti Emeklilik ve Hayat A.Ş. 2015 Digital Activities Report won Gold Medal this year at ARC (Annual Report Competition) Awards, which is organized by American company MerComm and accepted as Oscars for annual reports.

GARANTİ EMEKLİLİK's compliance with the principles in the field of public disclosure and transparency is at a very good level.

It is seen that the company has achieved the grade of **94.95** for the **Stakeholders' Section**.

The Company has achieved considerable compliance with the CMB's Corporate

Governance Principles in respect to this section.

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

In 2015, Garanti Emeklilik ve Hayat A.Ş. prepared Sanctions Policy and put it into operation, in order to prevent its products and services from being used for money laundering, financing terrorist activities and for other illegal purposes.

Gift Acceptance Procedure was prepared and put into implementation in June 2016 in order to regulate gifts to employees by people outside Garanti.

Garanti Emeklilik ve Hayat A.Ş. prepared the Procedure for Acceptance of Invitations for Sports and Entertainment Events and put it into implementation in June 2016.

It is observed that job processes and standards have been prepared and that the customers are being informed of such processes.

Compensation policy has been prepared for employees and disclosed to public.

Procedures for outsourcing products and services have been laid down in written documents.

During our rating period, Garanti Emeklilik ve Hayat A.Ş. updated its Ethics Principles in line with Garanti Bank, which was prepared in an exemplary integrity.

Procedure for Ethics Notification Line was prepared and Company's Ethics Notification Line was established. Training for this line was made obligatory for all employees.

As for the **Board of Directors Section**, the Company's grade is **94.06**, representing a

significant level of compliance with CMB's Corporate Governance.

It has been determined that the Board of Directors has set company's strategic goals, supervises performance of the company management and pays further attention to the company activities 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 and nobody in the company has unlimited authority to make decisions alone.

It is observed that the Board of Directors convenes in an appropriate frequency and the meetings take place in accordance with relevant laws and regulations, as well as the Articles of Association.

Garanti Emeklilik ve Hayat A.Ş. Board of Directors held 31 meetings in 2015. 16 of these meetings were held with the attendance of 9 members, 14 with 8 members and 1 with 6 members.

It is observed that the Audit, Corporate Governance, Early Risk Detection and Remuneration committees specified by the Principles have been formed and their working principles have been prepared as written documents.

In 2015 Corporate Governance Committee held 2, Remuneration Committee, which directly reports to the Board of Directors held 3 and Audit Committee held 4 meetings. Committees convened with full participation of their members.

On the other hand, there are other important indications of compliance with the Principles such as the fact that there is an adequate number of non-executive and two women members in the Board, that possible damages to the company due to defects of Board of Directors Members and executive managers while performing their duties are insured and that guidelines for remuneration of top

executives are set forth and have been disclosed in the corporate website. According to a document sent by Company's Law Department on 06.12.2016, there are no law suits against members of Board due to Company transactions.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

a. Company Profile



Company Name	: Garanti Emeklilik ve Hayat A.Ş.
Company Address	: Mete Cad. No: 30 34437 Taksim İSTANBUL
Company Phone	: (0212) 334 70 00
Company Facsimile	: (0212) 334 63 00
E-Mail	: GEMusteriHizmetleri@garantiemeklilik.com.tr
Company Website	: www.garantiemeklilik.com.tr
Date of Incorporation	: 1992
Registered Number	: 288647
Paid in Capital	: 50.000.000.-TL
Line of Business	: Preparing contracts for individual pension and life insurance, operating in related areas.
Company's Sector	: Insurance and Individual Pension
Supervisory Authority	: Capital Market Board (CMB), Insurance Supervision Board (ISB)

Company's Representative in Charge of Rating:

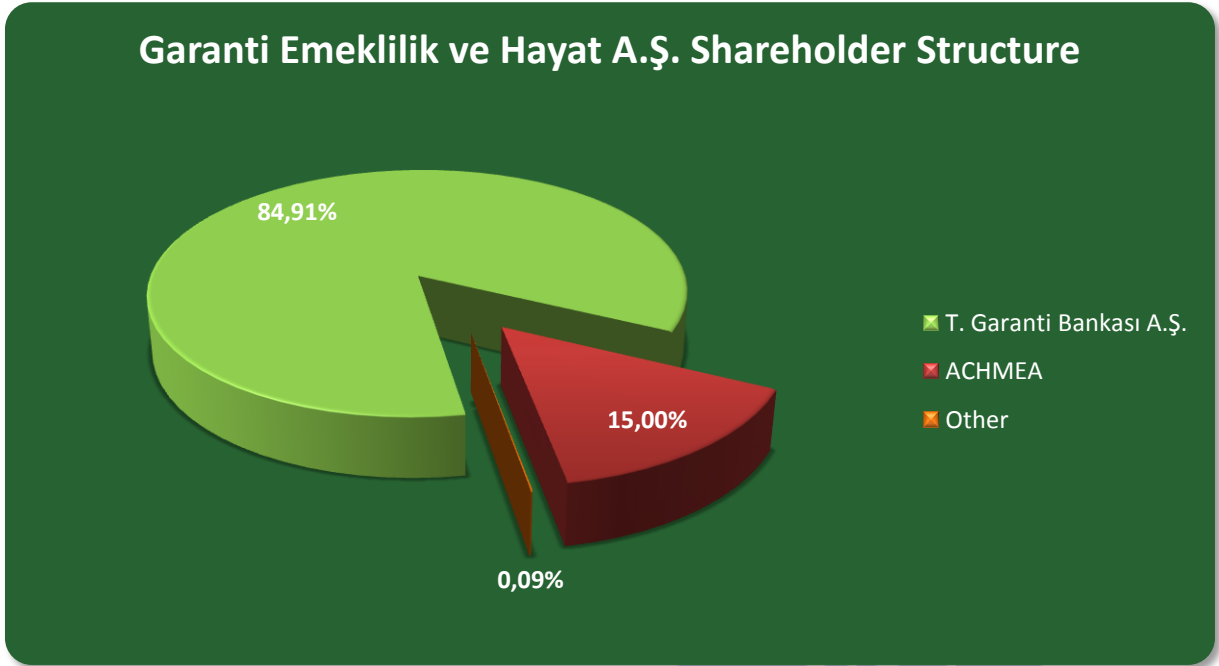
Salih İLERİ

Financial Affairs Unit Manager

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Shareholding Structure (As of report date)



Source: www.garantiemeklilik.com.tr

Shareholder Name	Share(TL)	Share (%)
T. Garanti Bankası A.Ş.	42.456.190	84,91
ACHMEA	7.500.000	15,00
Other	43.810	0,09
Total	50.000.000	100,00

GARANTİ BANK

Founded in 1946 in Ankara, Garanti Bank was **Turkey's second biggest private bank** as of September 30, 2016 with its consolidated active size of over USD 295 billion.

Garanti Bank is active in all segments of banking including corporate, commercial, SME, payment systems, private, individual and investment banking. It is an **integrated financial services group** with its international subsidiaries in Netherlands, Russia and Romania, alongside with its subsidiaries in life insurance and private pensions, financial leasing, factoring, investment and portfolio management.

As of September 30, 2016, Garanti Bank had 967 branches in Turkey and 9 branches abroad (7 in Cyprus, 1 in Luxembourg and 1 in Malta), as well as three offices abroad (London, Dusseldorf and Shanghai). The Bank also has 4,686 ATM's **with technological infrastructure**, a **multichannel distribution network** including mobile, internet and social banking platforms and an award winning call center. With almost 20,000 employees, Garanti meets all kinds of financial needs of its 14.4 million customers.

Source: www.garanti.com.tr

ACHMEA

With an experience of 200 years, Achmea is a leading international insurance group. Although its head office is in Netherlands, Achmea has over 22,000 employees in 8 other countries in addition to Benelux countries. The Company's line of business is insurance and it is among the leading companies of Europe. Achmea has a rich portfolio of services in insurance and financial services including pension, health and non – life insurance products.

Active in all areas and distribution channels of insurance, Achmea is preferred by every one person out of two in its domestic market, Netherlands. Achmea is the second biggest insurance company in Greece and has strong market positions in Turkey, Russia, Slovakia, Ireland, Romania and Bulgaria.

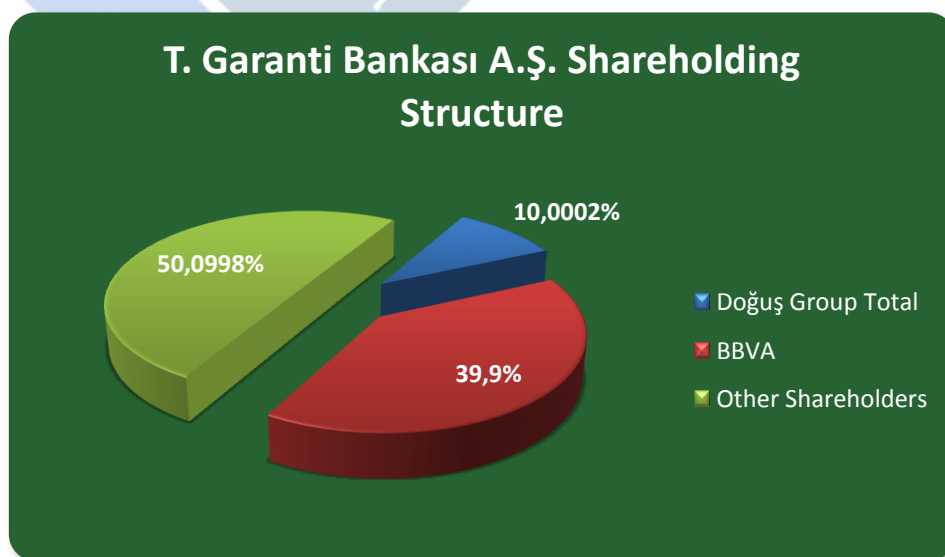
Company's gross signed premium production is EUR 19.9 billion and its total equity reaches EUR 10.4 billion.

Source: www.garantiemeklilik.com.tr

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

Shareholder Name	Share	Share (%)
DOĞUŞ HOLDİNG A.Ş.	259.846.372,53	6,1868
DOĞUŞ ARAŞTIRMA GELİŞTİRME VE MÜŞAVİRLİK HİZ. A.Ş.	159.554.237,02	3,7989
DOĞUŞ NAKLİYAT A.Ş.	606.546,29	0,0144
DOĞUŞ GRUBU TOPLAM	420.007.155,84	10,0002
BBVA (BANCO BILBAO VIZCAYA ARGENTARIA, S.A.)	1.675.800.000,00	39,9
OTHER SHAREHOLDERS	2.104.192.844,16	50,0998
TOTAL	4.200.000.000,00	100

Source: www.garanti.com.tr



Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
Ali Fuat ERBİL	Chairman of Board of Directors	Non - Executive
Onur GENÇ	Deputy Chairman of Board of Dir.	Non - Executive
Didem BAŞER	Member of Board of Directors	Non - Executive
Javier Bernal DİONÍS	Member of Board of Directors	Non - Executive
Maria de la Paloma Piqueras HERNANDEZ	Member of Board of Directors	Non - Executive
F. Nafiz KARADERE	Member of Board of Directors	Non - Executive
Johannes Antonius NİJSSEN	Member of Board of Directors	Non - Executive
M. Cüneyt SEZGİN	Member of Board of Directors	Non - Executive
Cemal ONARAN	Member of Board of Directors and Gen. Man.	Executive

Top Management

Name / Surname	Title
Cemal ONARAN	General Manager
K. Çağlayan BAKAÇHAN	Assistant General Manager (HR, Purchasing and Administrative Affairs, Organization, Process and Project Management, Customer Services and Call Center)
Ahmet KARAMAN	Assistant General Manager (Fund Management, Budget and Reporting, Financial Affairs)
E. Yasemen KÖNE	Assistant General Manager (Customer Relations Management, Marketing and Strategic Planning, Corporate Communication and Digital Marketing, Central Sales)
Cemşit TÜRKER	Assistant General Manager (Product Development and Actuarial, Operation, Law and Relations with Shareholders)
Kaan GÜNAY	Individual Sales, Corporate Sales

COMMITTEES FORMED WITHIN THE BOARD

CORPORATE GOVERNANCE COMMITTEE

Name Surname	
M. Cüneyt SEZGİN	Member (Non - Executive)
Onur GENÇ	Member (Non - Executive)

AUDIT COMMITTEE

Name Surname	
M. Cüneyt SEZGİN	Member (Non - Executive)
Onur GENÇ	Member (Non - Executive)

REMUNERATION COMMITTEE

Name Surname	
Ali Fuat ERBİL	Member (Non - Executive)
Onur GENÇ	Member (Non - Executive)

EARLY DETECTION OF RISK COMMITTEE

Name Surname	
M. Cüneyt SEZGİN	Member (Non - Executive)
Onur GENÇ	Member (Non - Executive)

Balance-Sheet Comparison of Company's Certain Selected Items of two periods

	2014/12	2015/12	Change %
Current Assets	7.329.520.960-	9.034.068.416-	23,25
Non –Current Assets	35.001.470-	41.055.047-	17,29
Total Assets	7.364.522.430-	9.075.123.463-	23,22
Short Term Liabilities	6.370.689.766-	7.854.771.186-	23,29
Long Term Liabilities	117.254.218-	152.467.190-	30,03
Equity	876.578.446-	1.067.885.087-	21,82
Total Liabilities	7.364.522.430	9.075.123.463-	23,22

Source: Garanti Emeklilik ve Hayat A.Ş. 2015Annual Report

Comparison of Profit / Loss Table of Company's Certain Selected Items of two periods

	2014/12	2015/12	Change %
General Technical Department Balance	148.329.957-	163.037.335-	9,91
Investment Income/Spending (Net)	66.251.994-	82.577.633-	24,64
Other Operations Income/Spending (Net)	(10.162-)	(5.032.221-)	
Net Profit/Loss	169.916.412-	190.907.777-	12,35

Source: Garanti Emeklilik ve Hayat A.Ş. 2015 Annual Report

Summary Financial Information of the Company for Last Three Years

<i>Financial Indicators</i>	2013 (000 TL)	2014 (000 TL)	2015 (000 TL)
BES Fund Size	4.249.324-	6.092.808-	7.580.285-
Technical Provisions	246.776-	248.618-	263.023-
Paid in Capital	53.084-	53.084-	53.084-
Equity	706.889-	876.578-	1.067.885
Total Assets	5.318.601-	7.364.522-	9.075.123-
Life Insurance Premium Production (net)	257.075-	269.905-	284.342-
Technical Income Expense Balance	136.937-	148.330-	163.037-
Non - Technical Income Expense Balance	37.379-	66.242-	77.545-
Profit / Loss Before Tax	174.316-	214.572--	240.583-
Net Profit	137.981-	169.916-	190.908-
Return on Assets (%)	3,28	2,91	2,65
Return on Equity (%)	25	24	23

Source: Garanti Emeklilik ve Hayat A.Ş. 2015 Annual Report

Total assets of Garanti Emeklilik ve Hayat increased by 23.2 % and reached TRY 9.07 billion in 2015. Its equity increased by 21.8 % and became TRY 1,067.8 million. The Company further strengthened its already solid financial structure with these figures. In 2015, it became the most profitable company of its sector – as it has been for the last 5 years – by increasing its net profit after taxes by 12.3 % to TRY 190.9 million.

A major part of Garanti Emeklilik ve Hayat’s profit comes from technical profits, which the Company earns in life insurance and private pension sectors. Company’s gross technical profit for 2015 was TRY 163 million. 67.9 % of TRY 240 million profits before tax came from technical profits.

Brief History of the Company

The company was established as “AGF Garanti Hayat Sigorta Anonim Şirketi” in July 24th 1992, with an initial capital of TL 10.000. In May 18, 1999, Company’s title was changed as “Garanti Hayat Sigorta Anonim Şirketi”.

The application of the company, dated 14.11.2002, to transform itself from a life insurance company into a pension company, in accordance with the 2nd item of temporary article 1 of Law number 4632 on Individual Pension Saving and Investment System, printed on Official Gazette dated 07.04.2001 and numbered 4366, was accepted with the approval of Undersecretary of Treasury on 18.12.2002. Consequently, company’s title was first changed as “Garanti Emeklilik Anonim Şirketi” as it was called in Turkish Trade Registry Gazette, dated 15.01.2003 and then as “**Garanti Emeklilik ve Hayat Anonim Şirketi**”, as it was called in Turkish Trade Registry Gazette, dated 25.03.2014.

Commercial aim of the company is to prepare contracts for individual pension and life insurance and to operate in related areas. In accordance with its Articles of Association, the Company has been active individual accident branch since July 1st, 2006.

Thanks to the synergy created through collaboration with its main shareholder Garanti Bank and its group, Dođuş, the company became one of the pioneers in the sector in a very short span of time. The company provides services for its customers through 15 regional directorate and almost 970 Garanti Bank branches.

Information on company activities

The company conducts its operations in compliance with Insurance Law number 5684, printed on Official Gazette dated 14.06.2007, numbered 26552 and Individual Pension Saving and Investment System Law number 4632 printed on Official Gazette dated 07.04.200, numbered 4366, as well other regulations. As of December 31st 2014, the company signs policies and contracts in the branches of life, individual accident and pension.

With the decision of Board, dated 28.06.2003 and after the approval Capital Markets Board, the company founded 6 pension investment funds. Within the framework of Fund Portfolio Management Service Contract signed by both sides, these funds are being managed by Garanti Portföy Yönetimi A.Ş. At the establishment of the funds, the company allocated a capital advance of TL 2.150.000 for them.

As of December 15th, 2016 the company had a total of twenty one pension funds.

According to data from Pension Monitoring Center, Garanti Emeklilik's fund volume is TRY **8,166,512,099**. Company's total Government Contribution Funds volume is at the level of TRY **1,130,909,151** at the same date. According to data from Pension Monitoring Center, there are **1,122,373** participants of Company's pension plans.

Data from Pension Monitoring Center shows that as of 02.12.2016, Garanti Emeklilik is the number one Company in the market with a share of **17.08** % in terms of number of participants. In terms of fund volume, it has the **3rd** place with a market share of **15.70** %

Due to passage from tax incentive to contribution share - based 25 % Government contribution policy (as of 01.01.2013), from which all participants can benefit, performance of Garanti Emeklilik and of the sector in general have been increased. The new regulations about automatic participation are expected to have a positive influence on the sector, extend private pension to a larger part of the society and double the number of participants. With its business model based on customer technology and strong financial foundations, Garanti Emeklilik ve Hayat A.Ş. aims to become the most preferred company.

b. Changes in the Company within last year:

i. Changes in the Articles of Association:

There have been no changes in the Capital or Articles of Association within the period of rating.

ii. Policies and Internal Arrangements

During our rating period, Garanti Emeklilik ve Hayat A.Ş. updated its Ethics Principles in line with Garanti Bank, which was prepared in an exemplary integrity.

Procedure for Ethics Notification Line was prepared and Company's Ethics Notification Line was established. Training for this line was made obligatory for all employees.

Garanti Emeklilik ve Hayat A.Ş. has prepared Sanctions Policy about international sanctions and put it into operation, in order to prevent its products and services from being used for money laundering, financing terrorist activities and for other illegal purposes.

Company's policy on capital market transactions was put into implementation in June 2016.

Gift Acceptance Procedure was prepared and put into implementation in June 2016 in order to regulate gifts to employees by people outside Garanti.

Garanti Emeklilik ve Hayat A.Ş. prepared the Procedure for Acceptance of Invitations for Sports and Entertainment Events and put it into implementation in June 2016.

iii. Management and Organization

The number of members of the Board of Directors was reduced to 9 from 11 and the number of women members was increased to 2 within our rating period. The function Law and Relations with Shareholders was structured as a unit within the Company's organization. Number of regional directorates was reduced to 15 from 18.

iv. Other

Company did not make any capital increase during the Year.

There is no privilege given to shares representing Company Capital.

According to the decision taken at Company's Ordinary General Assembly meeting on 05.04.2016, profit of 2015 was not distributed but transferred to reserves and 1 / 1000 of Company's equity was determined as the upper limit for donations that would be made in 2016.

Independent Audit Company was selected at the Extraordinary General Assembly meeting on 07.11.2016.

Company's equity increased by 22 % and became TRY 1,067.8 million in comparison with the previous year. Company's financial structure is in compliance with corporate governance principles.

The capital group with a direct or indirect domination of Company's capital is Garanti Bank Group, with its share of 84.91 %. Another capital group with a significant influence over the Company is Netherlands based Achmea with its share of 15.00 %. Dominant groups did not change during our rating period.

National and international awards that Garanti Emeklilik ve Hayat A.Ş. received during our rating period are below.

TEGEP Learning and Development Awards

HR practice called "Employee Experience Standards" and the corporate social responsibility project called "Back to School" have won 2 awards at TEGEP Learning and Development Awards, organized

to support investment and work in the field of corporate training and development. Turkey's leading companies competed with different projects at this awards organization. At the Awards Ceremony, 8 Best Practices and 4 Jury Special Awards at 6 different categories were presented to their winners.

Employee Experience Standards

"Employee Experience Standards" desktop game program has been developed to make learning and discovery processes more enjoyable. It won the Jury Special Award in the category of "Most Creative Application" at 2016 TEGEP Learning and Development Awards.

Back to School

The Company has been implementing its corporate social responsibility project "Back to School" since 2010, in cooperation with Istanbul Directorate of National Education and Boğaziçi University, in order to help secondary school students who work in different jobs, go back to school. The project won the Jury Special Award in the category of "Development Project that Makes Social Contribution" at TEGEP Learning and Development Awards.

Best Pension and Life Insurance Brand in Customer Satisfaction Management

Garanti Emeklilik ve Hayat A.Ş. was named the winner of "Best Management of Customer Experience" award in the life and pension category at the A.L.F.A (Actionable, Leader, Fast, Ambitious) Awards, organized by Marketing Turkey, based on the actual complaints and comments on Sikayetvar.com and the research methodology of which is developed by Method Research Company.

At the organization where companies that show superior management of customer experience were awarded, the winners were determined based on the user ratings on sikayetvar.com. Complaint management and the customer experience were calculated through a "customer experience index" which is made up of complaint letters received by sikayetvar.com. The results were obtained after multiple parameters of customer satisfaction, such as solution process, service and quality, were evaluated.

Best Call Center

Garanti Emeklilik ve Hayat A.Ş. undersigned a great success at the Contact Center World Awards finale, one of the most prestigious international awards organizations for call centers, and won the award for "Best Call Center" in the EMEA region.

At the platform where the best practicing call centers are determined, first steps were regional finals in EMEA, America and Asia-Pacific. Companies that were chosen at the regional finals moved up to the finale and were evaluated according to global standards.

This year 1,600 candidates competed at 11th Contact Center World Awards finale. Company's call center has been named the "Best Call Center in the World" and Garanti Emeklilik ve Hayat A.Ş received the Gold Award in this category.

Stevie International Business Awards

More than 3,800 candidates from over 60 countries applied this year for Stevie Awards with successful projects and they were evaluated by a jury comprising over 200 top managers from all over the world. Garanti Emeklilik ve Hayat A.Ş. was named the winner of Gold and Bronze awards in the Human Resources category. At this global organization, the Company won the Gold award in the “Human Resources Department of the Year” and the Bronze award in the “Creative Team of the Year” category.

LACP Vision Awards

Garanti Emeklilik ve Hayat A.Ş. won the Gold Award with its 2015 Annual Report at the LACP Vision Awards, which is the highest award in the field of annual reports, organized every year by the League of American Communications Professionals since 2001.

In the insurance category, Company’s first digital annual report took 62nd place in EMEA region in all categories and became one of the best 25 annual reports in Turkey. At the LACP Vision Awards, where hundreds of companies applied from over 20 countries with more than 1,000 reports to be evaluated, Garanti Emeklilik ve Hayat A.Ş. again won award this year as it did every year since 2011.

ARC (Annual Report Competition) Awards

Garanti Emeklilik ve Hayat A.Ş. 2015 Digital Activities Report won Gold Medal this year at ARC (Annual Report Competition) Awards, which sets standards of perfection in communication, organized by American company MerComm.

ARC Awards are accepted as the “Oscar of Annual Reports”. Bringing communication professionals together every year in New York, 30th ARC Awards received more than 2,000 applications from over 30 countries this year. Garanti Emeklilik ve Hayat A.Ş. was named the winner of Gold Award in the category of insurance with its 2015 Digital Annual Report.

3. RATING METHODOLOGY

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

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

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

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

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

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

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide,

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

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

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

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

The methodology takes into consideration the criteria stated in CMB's Corporate Governance 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, **350** different criteria are considered to measure the compliance of Unlisted companies with the corporate governance principles.

Such criteria are translated into the Kobirate A.S.'s unique Corporate Governance Rating Questionnaire.

According to CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, the following rates are

applied in the new Corporate Governance Compliance Rating:

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 internalizes 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.

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

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

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of 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>