



Corporate Governance Compliance Rating Report



Garanti Faktoring A.Ş.

17 August 2021

Validity Period 17.08.2021-17.08.2022

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 Directive, 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 53 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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

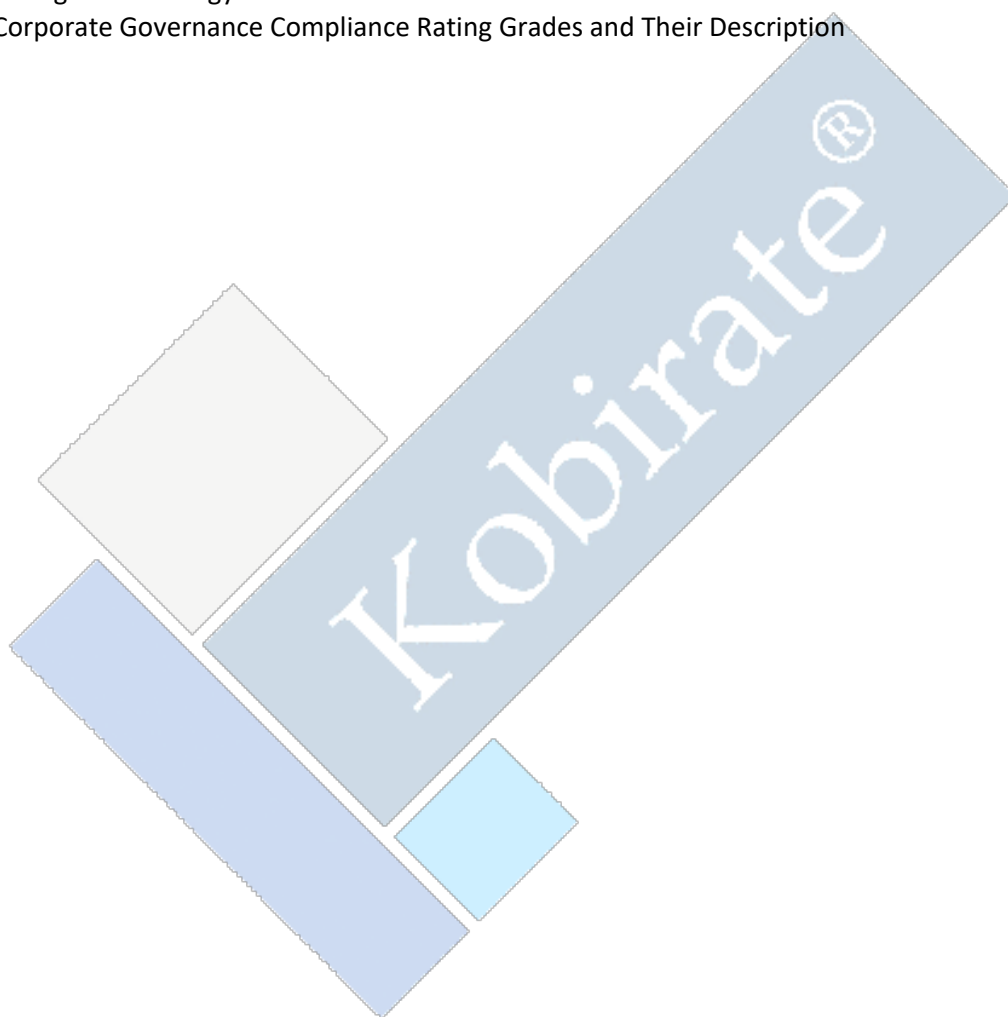
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

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
ANONİM ŞİRKETİ**

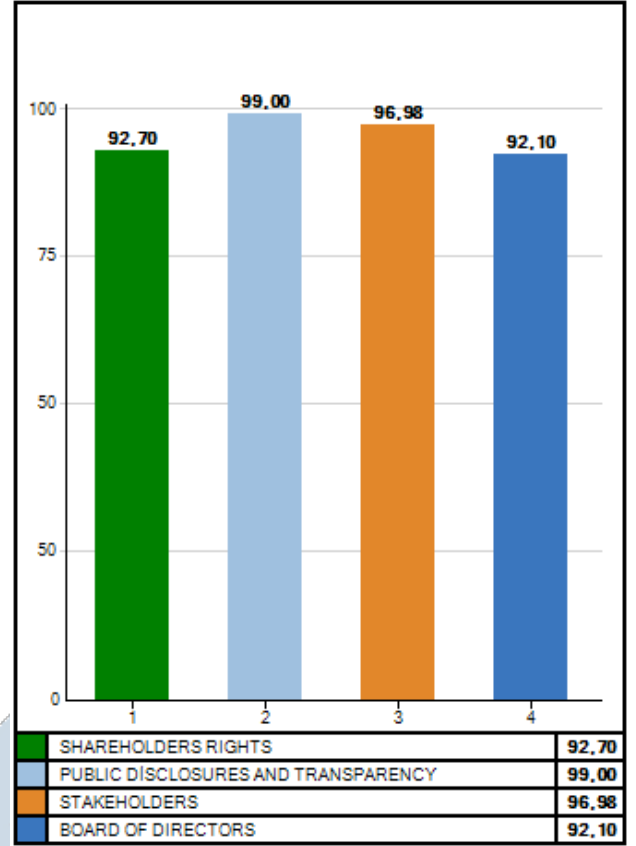
**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

9.47

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1. TENTH PERIOD REVISED RATING RESULTS

This report 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.

According to Capital Market Board decision dated 06.01.2017 and numbered 1/23, **GARANTİ FAKTORİNG A.Ş.** is on the list of **BIST 3rd Group Companies**. At the end of examination of 399 criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the

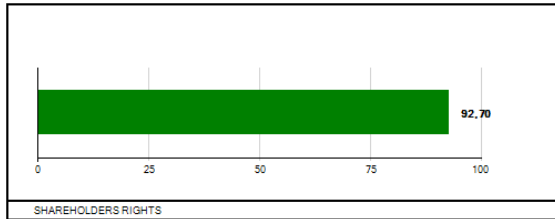
Board of Directors as specified in the CMB's Corporate Governance Principles and the methodology of Kobirate A.Ş., developed for "Third Group Companies of the BIST", revised Corporate Governance Compliance Rating Grade of **GARANTİ FAKTORİNG A.Ş.** is revised as **9.47**. This result signifies that the Company has achieved compliance with the CMB's Corporate Governance Principles to a great extent.

The fact that Board of Directors and the Top Management internalized the corporate governance principles, willingly and determinedly approached those areas that needed compliance and improvement within last year - as it was in previous periods - to produce solutions has played a major role in the revised grade that the company achieved.

This result signifies that **GARANTİ FAKTORİNG A.Ş. (GARANTİ BBVA FAKTORİNG)** has

achieved compliance with the Corporate Governance Principles issued by CMB to a great extent. All possible risks for the Company have been determined and they are under control. Rights of shareholders are treated fairly. Public disclosure and transparency activities are conducted at a high level of standards. Rights of stakeholders are treated fairly. The structure and working conditions of board of directors are compliant with corporate governance principles, but there is still need for some small improvements within the scope of corporate governance principles, although it doesn't pose a great risk.

In respect to **Shareholders' Section, GARANTI FAKTORING's** grade has been confirmed as **92.70**.



As it was in last period, it has been determined that Investor Relations Department carries out its duties effectively within General Accounting Department, that preparations and announcements for general assembly meeting are done timely and appropriately, that results of General Assembly are disclosed to public and voting by proxy is not blocked. In accordance with CMB Communiqué No II.17-1, the Director of Investor Relations Department Serap Çakır has been appointed as Corporate Governance Committee member.

There is no regulation in the Company that makes private audit difficult. Article 16 of Articles of Association provides shareholders with the right to appoint private auditor.

General assembly meeting to discuss 2020 activities took place on 21.05.2021 and it was announced on 15.04.2021. Financial statements, annual report, audit reports and Board of Directors' proposal for profit / loss have been presented to shareholders for examination, together with general assembly

information documents, giving sufficient time before the General Assembly meeting.

It has been determined that 2020 Ordinary General Assembly meeting that took place on 21.05.2021 was conducted within the framework of CMB's Corporate Governance Principles and other legal regulations.

It has also been understood from the minutes of General Assembly meeting that no questions came from shareholders.

Main policies that were deemed positive in the section titled shareholders are:

- In the Investor Relations Department, Serap ÇAKIR has licenses for Corporate Governance Rating (701222), Capital Market Activities Level 3 (208344) and Credit Rating (602587). Müge Bal GÜNGÖRMEZ has license for Capital Market Activities Level 1 (525739). The Company supports its staff to get licensed.
- Investor Relations Department keeps record of written questions, as well as oral questions by shareholders.
- Investor Relations Department reports to the Board about its activities in 6-month periods. Reports for 2020 were presented on 30.06.2020 and 31.12.2020. Report for the first half of 2021 was presented 30.06.2021.

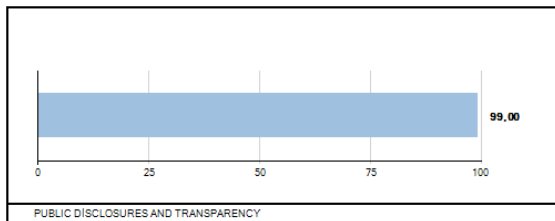
Having General Assembly meetings open to public - including media - and stakeholders without right to address, adding an item to the Articles of Association on this subject and giving this information in the meeting announcement and information kit, avoiding privileges in nominations for Board memberships, extending minority rights to those shareholders with less than 1 / 20 of the capital by the Articles of Association and adding a provision to the Articles of Association for dividend advance would take Company's compliance with corporate governance principles one step further.

It has been determined that the Company has achieved good compliance with the principles in this section.

Articles 4 and 6 of Articles of Association have been revised by unanimous vote at the General Assembly meeting. Changes in the Articles of Association are described in the section titled “i. Changes in Capital and Articles of Association”.

Profit / loss issues that have been approved at the General Assembly meeting are described at the section titled, “iii. Dividend Distribution”.

In the section of **Public Disclosure and Transparency** Company's grade has been confirmed as **99.00**.



GARANTİ BBVA FAKTORİNG makes its public disclosures within the scope of its Disclosure Policy, prepared by the Board of Directors, approved by general assembly and disclosed to public.

Company's PDP disclosures are signed by General Accounting Department Manager Serap ÇAKIR and Assistant General Manager Şule FİRUZMENT BEKÇE.

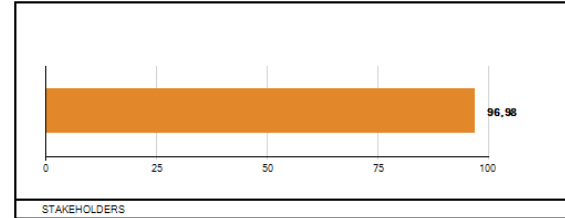
Company's corporate website is used for public disclosures as an active and efficient platform and its content is regularly updated. Corporate website is also published in English for the benefit of international investors.

It has been seen that the Board of Directors prepares the annual report in such a detail that it gives public access to complete and true information about company's activities. Annual reports of the Company are exemplary in terms of detail and contents.

Financial statement notifications, required to be made public by capital market regulations, are disclosed on Public Disclosure Platform in Turkish and English simultaneously.

GARANTİ BBVA FAKTORİNG has achieved very good compliance with the principles in this section.

In the section of **Stakeholders** Company's grade has been confirmed as **96.98**.



The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations. It has been concluded that the company respects the stakeholders' rights, specified in regulations and mutual contracts. The impression is that in case of lack of any regulation, the company respects stakeholders' rights within goodwill rules and its means, taking company's reputation into consideration. It has also been observed that many internal regulations were prepared to this end.

The Company provided 1,891 hours of class and workplace training in 2020. Training per person was 15.63 hours. Technical trainings like Financial Analysis, Advanced Excel, Current Economic Developments, Balance Sheet Reading Techniques, Problematic Loans, KVKK; as well as personal development trainings like Stress Management, Developing Management Talents, Advanced Presentation Talents, Personal Leadership Talents, Creative Drama for Communication, Right and Impressive Speaking, Personal Motivation, Analytic Thinking and Decision Making were given in 2020.

With Foreign Language Compensation policy Garanti BBVA Faktoring continues to support its employees' improvement in foreign languages. 120 hours of English classes were provided for employees in 2020, but these classes were suspended after March due to

COVID-19 pandemic. Support covers those employees below managerial level. Course fees of those employees who document that they took an exam and got a degree in foreign languages is continued to be reimbursed by the Company.

In 2020, all managerial level promotions were made from those employees trained by the Company.

“Career Maps” – prepared with objective and transparent criteria – continued to guide the employees to provide a road map for career development in accordance with employee’s talents, experiences, expectations and targets.

The policy of measuring employees’ performance online through E-performance System once a year continued.

Reward program that has been continuing since 2013 aims to reward those employees who are compliant with Company’s targets and strategies and who are “Creating Difference”, in pre – determined categories and thus to create a general awareness within the Company. Within this scope, 3 employees have received awards in “Creating Difference” in different pre-determined categories in 2020.

The Company has been conducting satisfaction surveys in certain customer segments since March 2017, in monthly periods. These surveys continued in 2020. Services are evaluated according to survey results. Company’s employee satisfaction survey was conducted in 2020 and 2021. Results of these surveys guide the improvement work conducted within the Company.

The Company gives aids and donations to NGO’s active in education, culture, arts, environment and sports within the scope of its corporate social responsibility approach. It made donations to TOG, KAÇUV and Turkish Education Foundation in 2020.

The Company allocates its aids and donations into those areas, which improve individual’s and society’s vision, in accordance with its

mission and policies, always taking its ethical principles into consideration.

During the global COVID-19 pandemic, the Company gave priority to the health of its employees, adapted remote work practices. The Company distributed computers to remote working employees starting from August. Work health teams took necessary precautions for those working at the offices. A survey was sent to employees every day to minimize the risk of infection. A COVID-19 line was also established to ensure faster communication.

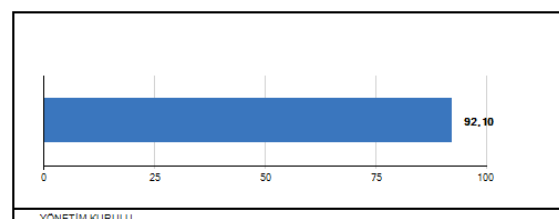
Main policies that are deemed positive in this section are below:

- Customer Satisfaction measurement continued systematically and included SME segment customers.
- Training opportunities for employees were improved.
- Employees were encouraged to get different licenses in their fields of activities.
- The employees who create a difference were rewarded within the framework of various projects.

There are no plans for giving shares to employees and employees are not represented in the Board of Directors. These two issues are seen as areas where the Company can make improvements in terms of compliance with the corporate governance principles.

In this section the Company has achieved very good compliance with the principles.

GARANTİ BBVA FAKTORİNG has achieved the grade of **92.10** in the section of **Board of Directors**.



Sibel Kaya has started as member of Board and thus Company's Board of Directors now has one woman member. This is the main reason for grade increase in this section.

It is our impression that by the strategic decisions it takes, the Board manages and represents the company, keeping the risk, growth and return in balance while paying attention primarily to company's long-term interests, under a reasonable and prudent risk management approach. In this sense, the Board of Directors has described the corporate strategic objectives and determined the required human and financial resources. Our impression is that the Board of Directors plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders.

The structure of Board of Directors is in compliance with principles. The Board has 9 (nine) members and, except for 2 (two), they are non - executive members. 2 (two) of the non – executive members are independent members of board of directors. It has been determined that the Board of Directors convenes frequent enough to do its duties. It held 33 (thirty-three) meetings in 2020 and took 47 (forty-seven) decisions at these meetings. The Board held 17 (seventeen) meetings in 2021 as of June 30 and took 26 (twenty-six) decisions at these meetings.

In 2020, Corporate Governance Committee held 3 (three), Audit Committee 8 (eight) and Early Detection of Risk Committee 6 (six) meetings. As of June 30, 2021, the Corporate Governance Committee held 5 (five), Audit Committee 4 (four) and Early Detection of Risk Committee 4 (four) meetings.

Main Company policies, which seemed positive in this section are listed below:

- Sibel KAYA has become Member of Board.

- Corporate Governance, Audit and Early Detection of Risk Committees, which are required by principles, have been working effectively.

- The Committees continued to work without interruption during the COVID-19 pandemic.

- All the works of committees have been written down and recorded.

- Committees report information about their activities and meeting results to the board of directors.

- Remuneration and other benefits for members of board of directors are disclosed to public through the annual report.

However, the issues that are listed below indicate areas in need of rearrangement to further strengthen compliance with corporate governance principles:

- There is no policy, a target ratio - no less than 25% - and a timetable for having women members of the board.
- The remuneration and other benefits for members of board and other executives with administrative responsibilities are disclosed in accordance with the requirement of "on the basis of board members and top executives". It makes the distinction between board and top management. However, the disclosure doesn't meet the principles' requirement of information on individual basis.
- There is no practice of self-criticism and performance evaluation for Board Members, neither as board nor as members.
- Members of Board of Directors are not rewarded or dismissed according to their performances.

2. COMPANY PROFILE AND CHANGES WITHIN LAST ONE YEAR

a. Company Profile



Company Name : Garanti Faktoring Anonim Şirketi
Company Address : Çamçeşme Mahallesi, Tersane Cad. No:15,
34899 Pendik/ İSTANBUL
Company Phone : (0216) 6254000
Company Facsimile : (0216) 6254001
Company Website : www.garantibbvafactoring.com
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:

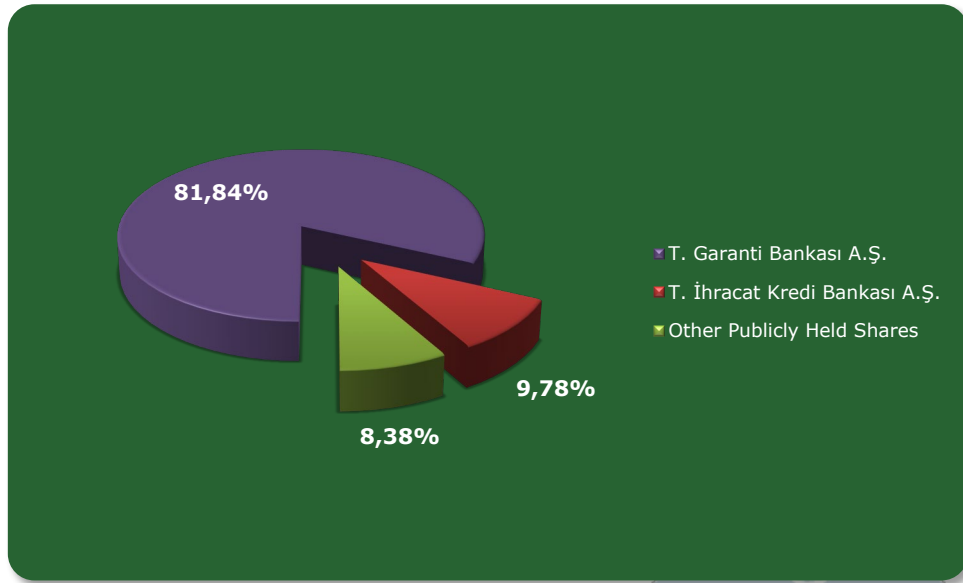
Serap Çakır

General Accounting Department Manager

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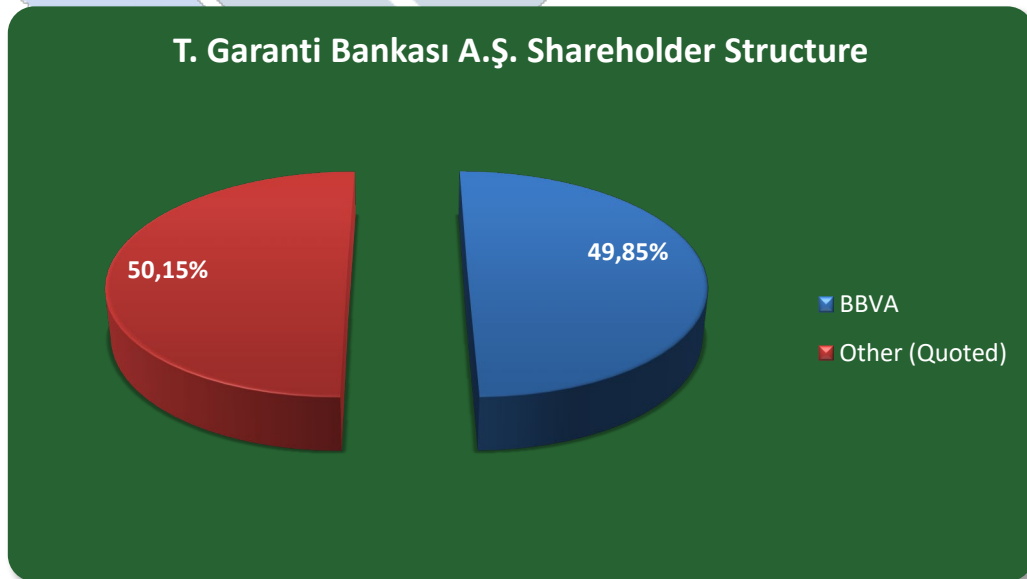
Shareholder Structure (as of report date)



Source: www.garantifactoring.com.tr

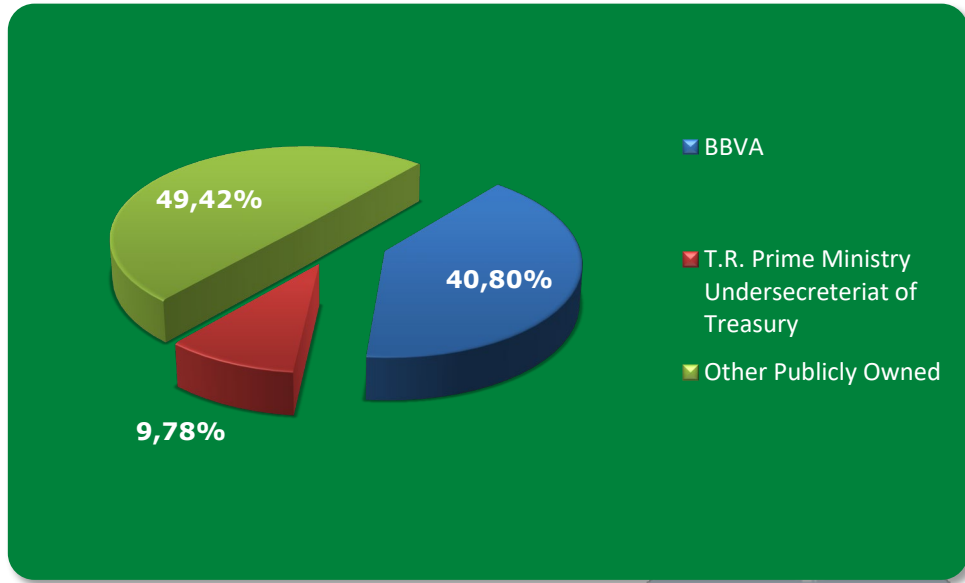
Shareholder Name	Share (TL)	Share %
T. Garanti Bankası A.Ş.	44.046.670,89	55,40
Publicly Held T. Garanti Bankası A.Ş. Shares	21.018.964,18	26,44
T. İhracat Kredi Bankası A.Ş.	7.772.941,90	9,78
Other Publicly Held Shares	6.661.423,03	8,38
Total	79.500.000,00	100,00

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



Source: www.kap.gov.tr

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



Shareholder Name	Share (TL)	Share %
BBVA (Banco Bilbao Vizcaya Argentaria S.A.) (Coming from T. Garanti Bankası A.Ş.)	32.435.220,62	40,80
T.R. Prime Ministry Undersecretariat of Treasury	7.772.941,91	9,78
Other Publicly Owned	39.258.484,85	49,42
Total	79.500.000,00	100,00

Source: www.kap.gov.tr

* Coming from T. Garanti Bankası A.Ş.'s public openness ratio.

Board of Directors

Name/ Surname	Title	Executive/ Non-Executive
Recep BAŞTUĞ	Chairman of Board	EXECUTIVE
Murat ATAY	Deputy Chairman of Board	EXECUTIVE
Kaya YILDIRIM	Member of Board & General Manager	EXECUTIVE
Osman Bahri TURGUT	Member of Board	NON-EXECUTIVE
Cemal ONARAN	Member of Board	NON-EXECUTIVE
Sibel KAYA	Member of Board	NON-EXECUTIVE
Aydın GÜLER	Member of Board	NON-EXECUTIVE
Nihat KARADAĞ	Independent Member of Board	NON-EXECUTIVE
Serkan ÇANKAYA	Independent Member of Board	NON-EXECUTIVE

TOP MANAGEMENT

Name/ Surname	Title
Kaya YILDIRIM	General Manager
Şule FİRUZMENT BEKÇE	Assistant General Manager
Gülçin İŞCAN	Assistant General Manager
Zeki PEKMEZCİ	Assistant General Manager

COMMITTEES FORMED WITHIN THE BOARD OF DIRECTORS

AUDIT COMMITTEE	
Nihat KARADAĞ	Independent Member of Board (Chairman)
Serkan ÇANKAYA	Independent Member of Board of Directors

CORPORATE GOVERNANCE COMMITTEE	
Nihat KARADAĞ	Independent Member of Board (Chairman)
Osman Bahri TURGUT	Member of Board (Non-Executive)
Serap ÇAKIR	General Accounting (Department Manager/ IRD Manager)

EARLY DETECTION OF RISK COMMITTEE	
Nihat KARADAĞ	Independent Member of Board (Chairman)
Serkan ÇANKAYA	Independent Member of Board of Directors

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

	2019/12(000)	2020/12(000)	Change %
Total Assets	2.201.627	2.912.563	32,29
Factoring Receivables	2.090.406	2.794.329	33,67
Paid in Capital	79.500	79.500	-
Equity	163.984	213.590	30,25

Source: Garanti Faktoring A.Ş. 2020 Annual Report

Profit / Loss Table Comparison of Company's Certain Selected Items *as of Last 2 Yearends*

	2019/12(000)	2020/12(000)	Change %
Factoring Revenues	375.828	309.468	-17,66
Factoring Spending	(50.828)	(49.316)	-2,97
Finance Spending	(263.863)	(189.506)	-28,18
Net Profit/Loss	24.438	50.150	105,21

Source: Garanti Faktoring A.Ş. 2020 Annual Report

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

Bottom	Peak
8,65 (06.08.2020)	15,12 (19.03.2021)

Source: Garanti Faktoring A.Ş.

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

SUBMARKET / OUTRIGHT PURCHASES AND SALES MARKET- (AMONG QUALIFIED INVESTORS)

BIST ALL-100 / BIST FINANCIAL / BIST ALL / BIST CORPORATE GOVERNANCE / BIST FINANCIAL, LEASING, FAKTORİNG

Source: www.kap.gov.tr

b. Changes within Last One Year:

i. Changes in Capital and Articles of Association

There has been no change in Company's capital and shareholder structure during the rating period. Distribution of TRY 79,500,000 Company capital is provided on page 9 of our report.

In the same period, Article 4 of Articles of Association, titled "Company Headquarters and Branches" has been revised and Company's headquarters address was changed as, "Çamçeşme Mahallesi, Tersane Caddesi No:15 Pendik/İstanbul". The change was discussed as item 8 at the general assembly on 21.05.2021 and approved.

Article 6 of Articles of Association, titled "Registered Capital" has also been revised and Company's registered capital ceiling increased to TRY 397,500,000 from TRY 175,000,000 for the period between 2021 and 2025. The change was approved unanimously at the general assembly meeting on 21.05.2021.

ii. Changes in Management and Organization

Deputy Chairman of Board Ali TEMEL and Member of Board Selahattin GÜLDÜ resigned on 15.02.2021. The Board replaced Ali TEMEL with Murat Atay and Selahattin GÜLDÜ with Sibel KAYA on the same date. Replacements were disclosed to public with a Material Event Disclosure dated 15.02.2021. Board's appointment decision, dated 15.02.2021, was discussed and approved at the 2020 Ordinary General Assembly meeting on 21.05.2021.

Assistant General Manager Mert ERCAN has resigned and he was replaced by Şule FİRUZMENT BEKÇE as of 01.06.2021. Assistant General Manager who resigned was replaced by Gülçin İŞCAN as of 10.05.2021.

iii. Dividend Distribution

Board of Directors has taken the following decision unanimously at the meeting on 15.04.2021 to be presented for approval at Company's Ordinary General Assembly meeting for 2020:

"In accordance with the financial statements for the period of 1 January – 31 December 2019, which have been prepared in accordance with CMB's Communiqué No 11.14.1 on "Basic Principles of Financial Reporting in Capital Market", Turkish Financial Reporting Standards (TMS/IFRS), in required formats determined by CMB and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., – in compliance with the principle of 'calculation and distribution of profit, which is regulated by the Articles of Association – after taking out tax reserve from the 2020 profit of TRY 64,671,632.36, to transfer remaining amount of TRY 50,149,744.53 – by taking into consideration the deferred tax impact of TRY 14,521,887.83 – into legal and extra ordinary profit reserve accounts and thus to keep it within the Company."

The recommendation of the Board in favor of keeping the profit for the period of 1 January – 31 December 2020 within the Company was discussed and approved unanimously as 5th Item of the agenda at the 2020 Ordinary General Assembly Meeting on 21.05.2021.

iv. Policies and Internal Arrangements

During the period of rating, there have been no changes in Company policies (Disclosure Policy, Dividend Distribution Policy, Remuneration Policy, Compensation Policy, Human Resources Policy, Donation and Aid Policy, and Ethical Rules Policy). These policies are disclosed to public through Company's corporate website.

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 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.

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

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

GRADE	DEFINITIONS
4–5,9	The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.
< 4	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.