



Corporate Governance Compliance Rating Report



İzocam Ticaret ve Sanayi A.Ş.

29 December 2015

Validity Period : 29.12.2015-29.12.2016

LIMITATIONS

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

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

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

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 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 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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TABLE OF CONTENTS

1.	Second Period Revised Rating Result	3
2.	Company Profile and Changes within Last Year	8
3.	Rating Methodology	15
4.	Corporate Governance Compliance Rating Grades and Their Description	17





İZOCAM TİCARET VE SANAYİ A.Ş.

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

BIST THIRD GROUP

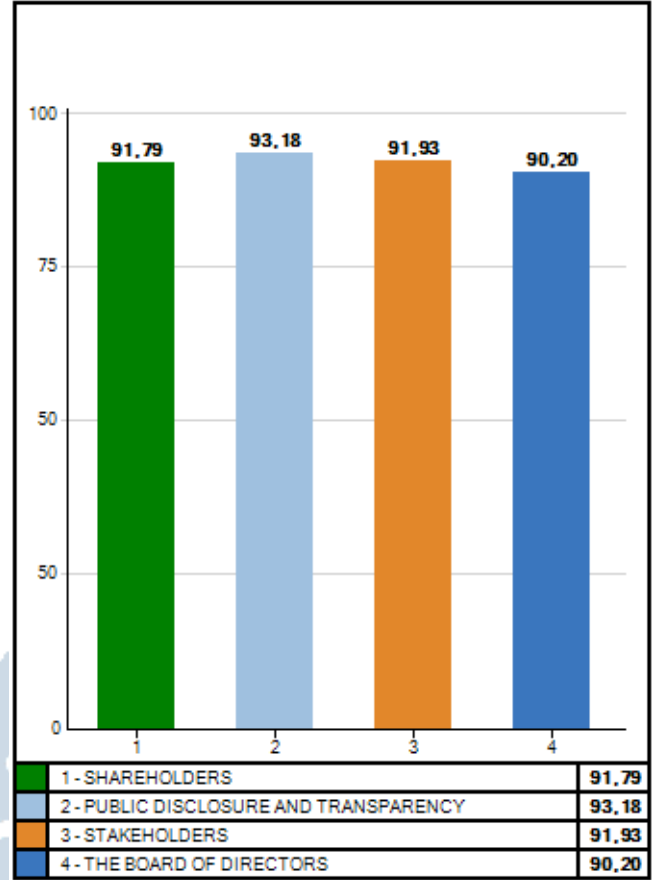
9.16

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1. SECOND PERIOD REVISED RATING RESULT

The process of rating of compliance of **İZOCAM SANAYİ VE TİCARET A.Ş.** with the Corporate Governance Principles is concluded through onsite examinations of the documents, interviews held with executives and persons involved, information disclosed to public and of other comprehensive reviews. It was based on the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., and conducted in accordance with CMB's Corporate Governance Principles Communiqué no II-17,1 published on Official Gazette no 28871, dated January 3, 2014.

According to CMB Decision dated 13.01.2015 and numbered 1/3, İzocam Ticaret ve Sanayi

A.Ş. is on **BIST 3rd Group Companies** list. The Company has been rated by examination of **399** criteria specified in Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş. for "BIST Third Group Companies". At the end of the rating process, which was conducted under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, Corporate Governance Compliance Rating Grade of İzocam Ticaret ve Sanayi A.Ş. is determined as **9.16**.

This result signifies that the company has achieved a considerable compliance with CMB's Corporate Governance Principles.

Possible risks for the company have been determined and being kept under control. Public Disclosure and Transparency activities are at a high level. Rights of shareholders and Stakeholders are being treated fairly. The structure and mode of operation of Board of Directors are generally in compliance with corporate governance principles. The result shows that the Company highly deserves to be included in the BIST Corporate Governance Index.

▪ At the section of Shareholders, it is seen that İzocam Ticaret ve Sanayi A.Ş has achieved a grade of **91.79**. The developments that have been effective for the Company to achieve this grade are listed below;

- Investor Relations Department presents regular reports about its activities to the Board of Directors twice a year,
- General Assembly information document has been improved to include detailed information on shareholding structure, voting right, agenda items, regulations and many other subjects that are specified by the principles,
- A provision added to the Articles of Association stating that General Assembly meetings are open to public including stakeholders and media, without right to address the meeting,
- Dividend Policy, Donations and Aid Policy and Company's Policy to Repurchase Its Shares have been disclosed to shareholders and presented for their approval,
- An arrangement has been done in the Articles of Association to enable shareholders demand private audit,
- An arrangement has been made in the Articles of Association in favor of minority shareholders,
- Shareholders were informed about the jobs taken by Members of Board of Directors outside the company, by making the distinction between group and non – group companies, at the general assembly meeting for election of Board,
- Shareholders were informed at the general assembly meeting on whether

any transactions in company affairs that they allowed took place on their behalf or not and the information was recorded in minutes,

- Detailed information was given at the General Assembly about transactions with relevant parties (whether the transaction took place and whether it was within the context of Article 9 of CMB Communiqué No II.17-19),

- Information was given to shareholders about the amount of donations given within the year and their beneficiaries.

Relations with shareholders are conducted by Investor Relations Department, reporting to Assistant General Manager for Financial and Administrative Affairs. Mr. Doruk Özcan, Assistant General Manager for Financial and Administrative Affairs has been appointed as the Director of the Department. Ms. Dilek Pehlevan and İpek Gürbay also work in the Department.

In compliance to CMB's Corporate Governance Communiqué, No II-17.1, Mr. Doruk Özcan, Director of Investor Relations Department has also been appointed as a member of Corporate Governance Committee and the appointment was disclosed to public with a Special Case Declaration dated 24.04.2015. Mr. Özcan has CMB Level 3 and Corporate Rating Expertise Licenses.

There is no regulation and practice at shareholders' right to obtain and review information to be cancelled or constrained by the Articles of Association and/or a decision by any corporate organ. Disclosures for shareholders and public are conducted in accordance with the Company's "Disclosure Policy". The policy can be accessed on the corporate website.

Ordinary General Assembly meeting to discuss activities of 2014 convened on 23.03.2015. Invitation to the meeting was made through Turkish Trade Registry Gazette dated 19.02.2015 and numbered 8762, MKK e – general assembly system and

corporate website 32 days before the meeting.

General Assembly held another meeting on 16.06.2015 with an extra ordinary agenda. Announcement about this meeting was made through Turkish Trade Registry Gazette dated 13.05.2015 and numbered 8819, Special Case Declaration dated 08.05.2015 and MKK e – general assembly system, 38 days before the meeting.

It is seen that Articles 11, 13, 14, 15, 16 and 18 of Articles of Association were changed at the extraordinary meeting and compliance with corporate governance principles were further strengthened. Changes in the Articles of Association are explained in the section “**i Capital, Shareholding Structure and Changes of Articles of Association**” of our report.

For both meetings information documents were prepared and published with general assembly invitations. It has been seen that the information document about general assembly included details on the partnership structure of the company, one share giving right for one vote, whether or not there are demands by CMB or other authorities to add items on the agenda and information on how shareholders can use their right for special audit.

While information about changes in the Articles of Association has been given both old and new versions of Articles of Association were published.

A net distributable period profit of TRY 67,763,211.00 (donations added) was earned in 2014. The use of this profit is explained in the section “**ii. Dividend Distribution**” of our report.

▪ İzocam Ticaret ve Sanayi A.Ş has achieved a grade of **93.18** at the section of Public Disclosure and Transparency. The developments that have been effective for the Company to achieve this grade are listed below;

- Disclosure Policy has been revised,

- Corporate website has been renewed, getting equipped with more information and becoming more functional,

- Annual report gives information on Company’s shareholding and organizational structure and whether or not there has been any change in this respect,

- Annual report gives information on transactions of board members in their name or on behalf other parties within the frame of permission given by general assembly and their activities, which are covered by competition ban,

- Annual report includes statements on figures of commercial and financial relations with direct or indirect subsidiaries within the period,

- Annual report gives information on whether or not targets determined for previous periods were achieved and gives information and assessment of reasons if they were not achieved,

- Annual report includes information on conflicts of interest between the Company and other companies that provide services like investment consultancy and rating and precautions the Company takes to prevent conflicts of interest,

- Annual report includes findings and assessments of the Board of Directors on whether or not there is capital loss or heavy debts for the Company and the measures planned to be taken to improve Company’s financial structure if there are any of these problems,

- Annual report gives detailed information on risk management and efficiency of internal control systems,

- Annual report gives information about number of employees, their social rights and professional training, as well corporate social responsibility projects and Company’s other activities that create social and environmental consequences.

The persons who are responsible for disclosure statements and have the authority of signature are; Doruk ÖZCAN, Assistant

General Manager for Financial and Administrative Affairs and Öner TORUN, Accounting Manager. These persons are charged with monitoring and watching every subject that may be relevant to the subject of public disclosure.

Corporate website and annual reports are in compliance with the criteria specified in the principles and they are being used as effective means of disclosure.

▪ In the section of Stakeholders the Company has received the grade of **91.93**.

HR Policy of the Company has been revised and approved by the Board of Directors with its decision dated 17.02.2015 and numbered 744. Its Corporate Social Responsibility policies have been prepared as well and approved at the same meeting of the Board of Directors. Thus, ongoing social responsibility projects were put into the context of policies. These two developments are deemed as the reasons for grade increase in the section of stakeholders.

Compensation policy for employees has been prepared and disclosed to public through the corporate website.

Procedures on recruitment, remuneration, health, leave rights, promotion, task alteration, disciplinary practices, dismissal, death, resignation and retirement have been developed and our impression is that the company sticks to these policies in practice. It is thought that principle of providing equal opportunities for people in equal positions has been respected both in the preparation and implementation of procedures and policies.

“Work and Behavioral Principles that make out İzocam Ethical Values” are accessible at the corporate website. An Ethics Council has been established within the Company to protect and carry out these values.

▪ In the section of Board of Directors, İzocam has achieved the grade of **90.20**. The

developments that have been effective for the Company to achieve this grade are listed below;

- Operating Principles of the Board of Directors are formed,

- A provision added to the Articles of Association to enable the Board of Directors to hold meetings in electronic environment,

- Articles of Association include provisions describing basic features that members of board should have, like having the conditions and determination to attend all meetings,

- Articles of Association clearly express the intention of appointing women members of board. Article 14/1 of Articles of Association states: “In compliance with Corporate Governance Principles, care is taken to increase the number of women among the candidates that are nominated at the General Assembly for membership of Board of Directors.”

- Possible damages to the company due to defects of Board of Directors Members while performing their duties are insured for an amount exceeding double the amount of company’s paid in capital and disclosed at Public Disclosure Platform,

- Basic Remuneration Policy for Board of Directors and Top Executives are has been presented for the approval of general assembly.

Interviews at the Company and examination of decision books of Board of Directors and Committees revealed that the Board and the Committees continue their regular activities.

The Board of Directors has described corporate strategic objectives. Posts of Chairman of the Board and CEO are held by different individuals and their powers are described. There are 7 (seven) members of the Board of Directors. 1 (one) member is executive and 6 (six) members are non – executive. 2 (two) of the non – executive members are independent, meeting the

criteria specified by Corporate Governance Principles.

Committees referred by the Principles, including Audit, Corporate Governance, Early Detection of Risk Committees are formed. Due to the organization of the Board of Directors, separate Nomination and Remuneration Committees have not been established. Their functions are undertaken by the Corporate Governance Committee. Operation rules, mandates and membership structures for committees have been determined by the Board of Directors, approved as written documents, disclosed to public and put on to corporate website. All members of the Audit Committee are appointed from among independent members. Chairpersons of Corporate Governance and Early Detection of Risk Committees are Independent Members of Board of Directors. The CEO / General Manager has no assignment in any of these committees. Board of Directors held 11 (eleven) meetings in 2015 and took 14 (fourteen) decisions.

Audit Committee held 7 (seven) meetings in 2015 and took 7 (seven) decisions.

Corporate Governance Committee held 4 (four) meetings in 2015 and took 6 (six) decisions.

Early Detection of Risk Committee held 5 (five) meetings in the same period and took 5 (five) decisions.

It is determined that the Committees relay results of meetings and their suggestions for items of agenda to the Board of Directors in writing.

Guidelines on Compensation of Directors and Top Executives have been determined and disclosed to public through corporate website.

In compliance with Article 4.2.8 of CMB Corporate Governance Principles Communiqué No: II-17-1, dated 01.03.2014;

Members of Board of Directors and Top Executives have been provided with "Director Responsibility Insurance Policy", to cover for possible damages to the company due to defects occurred while performing their duties, for USD 20 million, an amount exceeding double the amount of company's paid in capital. A material event disclosure on the subject was made on 02.04.2015 at the Public Disclosure Platform.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:



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

Company's Representative in Charge of Rating:

Doruk ÖZCAN

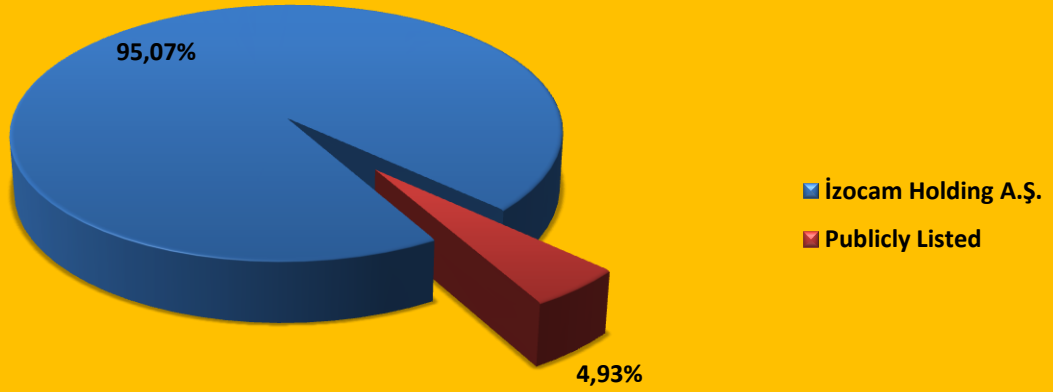
Assistant General Manager
Director of Investor Relations

ozcan@izocam.com.tr

(0216) 4404050

Shareholders Structure

İzocam Sanayi ve Ticaret A.Ş. Shareholders Structure



Shareholder Name	Share (TL)	%
İzocam Holding A.Ş.	23.324.476,84	95,07
Publicly Listed	1.209.666,51	4,93
Total	24.534.143,35	100,00

Source: www.kap.gov.tr

Real and Corporate Entities that Indirectly Own Capital

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

Source: www.kap.gov.tr

Company Board of Directors

Name/ Surname	Title	Executive/ Non Executive
Gianni SCOTTI	Chairman of Board of Directors	NON - EXECUTIVE
Samir KASEM	Deputy Chairman of Board of Directors	NON - EXECUTIVE
Arnaud J. G. MOISSET	Member of Board of Directors	NON - EXECUTIVE
Robert Theodoor Gjisbert ETMAN	Member of Board of Directors	NON - EXECUTIVE
A. Nuri BULUT	Member of Board of Directors /General Manager	EXECUTIVE
Gülsüm AZERİ	Member of Board of Directors -Independent	NON - EXECUTIVE
Pol ZAZADZE	Member of Board of Directors -Independent	NON - EXECUTIVE

Source: www.kap.gov.tr

Top Management

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

Committees formed within the Board of Directors

Audit Committee

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

Source: www.kap.gov.tr

Early Detection of Risk Committee

Member Name/ Surname	Title
Pol ZAZADZE	Chairman / Independent Member of Board
Arnaud J.G.MOISSET	Member / Member of Board
Robert Theodoor Gjisbert ETMAN	Member / Member of Board

Source: www.kap.gov.tr

Corporate Governance Committee

Member Name/ Surname	Title
Pol ZAZADZE	Chairman / Independent Member of Board
Arnaud J.G.MOISSET	Member / Member of Board
Robert Theodoor Gjisbert ETMAN	Member / Member of Board
Doruk ÖZCAN	Member / AGM – IRD Director

Source: www.kap.gov.tr

Investor Relations Department

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

Source: İzocam San. Ve Tic. A.Ş

Balance-Sheet Comparison of Company's Certain Selected Items of last two years (000 TL)

	2014/09(000)	2015/09(000)	Change %
Total Assets	242.230	254.032.	4,87
Short Term Liabilities	54.905	98.344	79,12
Long Term Liabilities	9.536	9.909	3,91
Paid in Capital	24.534	24.534.	-
Equity	177.788	145.778	(18,00)

Source: www.kap.gov.tr

Comparison of Income Table of Company's Certain Selected Items of last two years (000 TL)

	2014/09(000)	2015/09(000)	Change %
Sales	268.098	266.693	(0.52)
Gross Profit/Loss	66.459	61.942	(6.80)
Basic Operational Profit/Loss	32.059	26.493.	(17,36)
Finance Spending	(1.796)	(3.890)	116,59
Period Profit/Loss	59.314	18.889.	(68.15)

Source: www.kap.gov.tr

The Market Where the Capital Market Instrument is Traded and the Indexes that the Company is Included

- MAIN MARKET

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

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

<i>Bottom</i>	<i>Peak</i>
26,35- (24.08.2015)	40,30- (12.01.2015)

Source: İzocam San. ve Tic. A.Ş

B. Changes within last year: Changes within last year:

i. Changes in Capital, Shareholder Structure and Articles of Association:

- There have been no changes in the Capital or Shareholder Structure of the Company within last year.
- Company's General Assembly held an extra ordinary meeting on 16.06.2015 and made changes in Articles 11, 13, 14, 15, 16 and 18 of Articles of Association.

- Article: 11 / 3 Functions and powers of the Board of Directors have been redefined.
- Article: 11 / 4 It has been expressed clearly that posts of Chairperson of Board of Directors and General Manager cannot be held by the same person.
- Article: 13 Annual number of meetings, as well as required majority to start meetings and to take decisions have been described.
- Article: 14 / 1 Features for potential Members of Board of Directors have been described. According to this Article; "Members of Board of Directors are elected from among people who are university graduates, with technical knowledge on Company's line of business or general knowledge of finance and law, with managerial experience and who have ability and determination to attend all meetings of Board of Directors."

A provision has also been added on women Members of Board of Directors; "In compliance with Corporate Governance Principles, care is taken to increase the number of women among the candidates that are nominated at the General Assembly for membership of Board of Directors."

- Article: 14 / 2 Elections, distribution of duties and internal regulations have been described for the first meeting of Board of Directors in the aftermath of General Assembly. It describes how members would use their votes and it clearly states that each member has right for 1 (one) vote.

A provision has also been added to enable institutional and / or minority shareholders to call for a Board of Directors meeting. It stated: "Board of Directors can convene upon demand of institutional or minority shareholders. The call is made to the Chairperson of the Board of Directors. If the Chairperson finds the demand appropriate or decides that there is no urgent need for such a meeting, he / she brings the subject to the agenda of first Board of Directors meeting. Turkish Commercial Law articles on board of directors meetings are valid."

An addition has been made to the existing provision in the Articles of Association in order to enable Board of Directors to hold meetings in electronic environment. "Board of Directors meeting can be held in a completely electronic environment or in an environment where some members attend physically and some through electronic means."

Same Article also describes undertakings and responsibilities of Members of Board of Directors, as well as things they cannot do. "Members cannot attend to the meeting if a subject related to themselves, their spouses who are not members of board or their relatives until third degree is on the meeting agenda. If there is such a subject, they are obligated to inform the Board of Directors about relevance of the subject for them and to have it put into minutes. The jobs that members can hold outside of the Company, the institutions they can work in and transactions they make can only be those that would not cause competition issues for the Company. If a member undertakes a job outside the Company, he / she is obligated to inform the Board of Directors."

- Article: 16 Arrangement has been made about shareholders' demand for private auditor, by referring to Articles 438 and 439 of Turkish Commercial Law.

- Article: 18 Arrangement has been made in order to make General Assembly meetings open to public, including stakeholders and media, alongside with shareholders, but without right to address the meeting.

An arrangement has also been made by referring to Article 411 of Turkish Commercial Law, in order to enable shareholders, who make 1 / 20 of the capital, to call for general assembly meeting or to demand addition of an item to the agenda.

It is obvious that these changes have further strengthened Izocam's compliance with Corporate Governance Principles.

ii. Dividend Distribution:

Izocam earned a net distributable period profit of TRY 67,705,125.00 (net distributable period profit with donations added is TRY 67,763,211.00) for 2014.

At its meeting on 10.02.2015, the Board of Directors took the following decision about the distribution of net distributable profit for 2014;

"At its meeting on February 10, 2015, our Board of Directors decided to approve the dividend distribution proposition and present it to the General Assembly. The proposition includes to distribute cash dividend of TRY 59,364,745.86 from TRY 24,534,143.35 paid in capital to our shareholders in accordance with Turkish Commercial Law, Capital Markets Law and our Articles of Association; to pay TRY 2.4196788 gross = net cash dividend for TRY 1 nominal value with the rate of 241,96788 % for shareholding companies that legally centered in Turkey or keep their headquarters in Turkey and those shareholding companies that are not legally centered in Turkey and do not keep their headquarters in Turkey; to pay gross TRY 2.4196788 and net TRY 2.0567269 cash dividend for TRY 1 nominal value with the rates of gross 241.96788 % and net 205.67269 %; to start distributing cash dividend on 26.03.2015."

Board of Directors' dividend distribution proposition was discussed as the 7th Item of the Agenda at the General Assembly meeting on 23.03.2015 and approved. Dividend distribution was done on 26.03.2015.

iii. Policies:

Disclosure Policy, Dividend Policy, Remuneration and Compensation Policy for Employees, Donations and Aid Policy and Human Resources Policy were revised within the period of rating. In the same period Principles for Remuneration Policy of Board of Directors and Top Executives, Company's Policy to Repurchase its Shares and Corporate Social Responsibility Policy were formed. All these policies were approved by Board of Directors decision No 744, dated 17.02.2015.

Among these policies; Dividend Policy, Donations and Aid Policy, Principles for Remuneration Policy of Board of Directors and Top Executives and Company's Policy to Repurchase its Shares were presented to the shareholders at the General Assembly meeting on 23.03.2015.

iv. Management and Organization:

It is learned that there has been no changes in Company's organization within the rating period.

According to Company's material event disclosure dated 26.12.2014; "Board of Directors decided for the retirement of Hasan Basri Eröktem, who was working as the Assistant General Manager for Financial and Administrative Affairs under General Manager, as of 31.12.2014 and to appoint Doruk Özcan, who was working as Manager of Accounting at the time, as the Assistant General Manager for Financial and Administrative Affairs, starting on 01.01.2015 and to give him second degree A Group signatory authority."

Aforementioned director is also working as the Director of Investor Relations Department.

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, **401** different criteria are considered to measure the compliance of BIST third group firms with the corporate governance principles.

Such criteria are translated into the Kobirate A.Ş.'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:

Corporate Governance Principles in the existing structure.

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

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

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

GRADE	DEFINITIONS
4–5,9	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.
< 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.