



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



***Pınar Su ve İçecek Sanayi ve Ticaret A.Ş.***

19 November 2021

Validity Period : 19.11.2021-19.11.2022

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Pınar Su Sanayi ve Ticaret 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 3<sup>rd</sup> 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 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 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](http://www.kobirate.com.tr)).

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

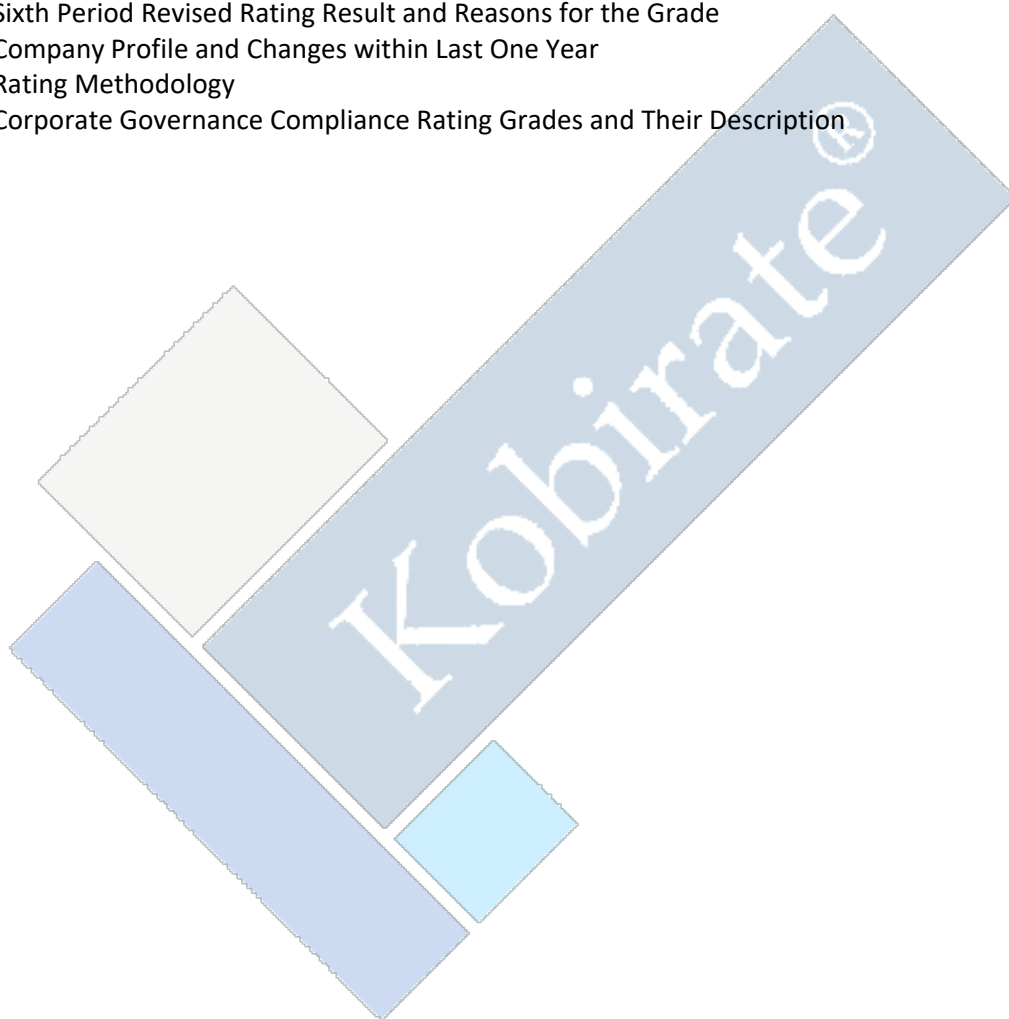
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**PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.**

**CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE**

**9.54**

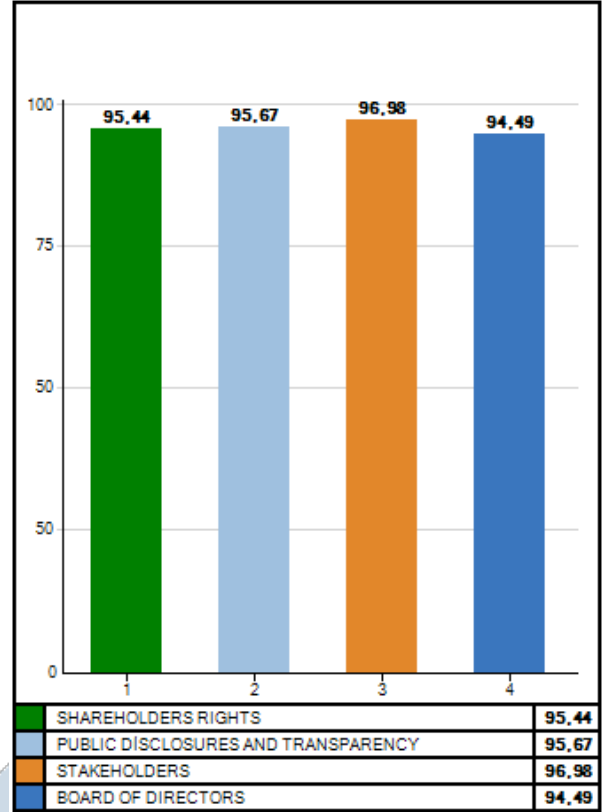
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### 1. SIXTH PERIOD REVISED RATING RESULT

The process of rating of compliance of Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. with the Corporate Governance Principles has been concluded through onsite examinations of the documents at the head office, interviews held with executives and persons involved, information disclosed to public and of other detailed reviews and observations. Process of rating has been conducted in accordance with Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş. Process of rating and methodology has been based on CMB's Corporate Governance Principles Communiqué no II-17,1 published by Official Gazette no 28871, dated January 3, 2014.

According to CMB Decision dated 21.01.2021, No 4/97, Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. is on BİST 3<sup>rd</sup> Group Companies list. The Company has been evaluated through examination of 399 criteria as described by Kobirate A.Ş.'s methodology of "Corporate Governance Compliance Rating for BIST Third Group Companies". The rating process has been conducted under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors and Corporate Governance Compliance Grade of Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. has been determined as **9.54**.

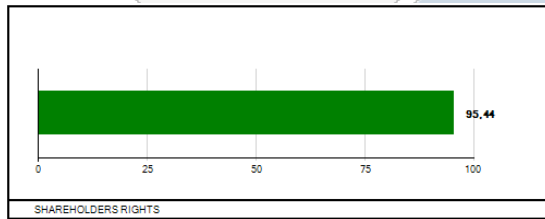
This result signifies that the Company has achieved compliance with CMB's Corporate Governance Principles to a significant extent.

Internal control systems have been set up and working. Possible risks for the Company have been determined and are under control. Public Disclosure and Transparency activities are at a high level. Rights of shareholders and stakeholders are treated fairly. Structure and working conditions of board of directors are generally in compliance with corporate governance principles. Although they pose no big risks, some improvements within the framework of corporate governance principles are expected.

Willing and determined approach of both board of directors and top management to internalize corporate governance principles and to produce solutions for areas that require compliance and improvement is seen as the most important factor in achieving this grade.

As a result, this grade indicates that the Company highly deserves to be on BIST Corporate Governance.

- At the section of Shareholders, the grade of Pınar Su ve İçecek has been confirmed as **95.44**.



It has been determined that during the rating period the Company has given necessary care to enable shareholders exercise their basic rights.

Onur ÖZTÜRK, who has been working as Financial Affairs and Finance Director and Director of Investor Relations Department until 01.09.2021, was appointed as Yaşar Holding Budget Control and Analysis Director as of this date. However, he continues his job as Director of Investor Relations Department. Investor Relations Department reports directly to the General Manager. Onur ÖZTÜRK was appointed as Investor Relations Director on 23.07.2015 and the appointment

was disclosed to public through a material event disclosure on the same date. Didem ÖZEĞRİLMEZ is staff in the department. Onur ÖZTÜRK has Corporate Governance License and he was also appointed as a member of Corporate Governance Committee on the same date. It has been determined that compliance with CMB Corporate Governance Communiqué II.17-1 is achieved.

It has been determined that the Company answers questions from shareholders and potential investors without delay and records the answers. There is no cancellation or restriction of shareholders' right to obtain and examine information by the Articles of Association or by any Company department. Disclosures for shareholders and public are done in compliance with the "Disclosure Policy". This policy is published on Company's corporate website.

The Ordinary General Assembly meeting to discuss activities of 2020 took place on 25.03.2021. Invitation was done properly on Turkish Trade Registry Gazette dated 02.03.2021, No 10278, Public Disclosure Platform, EGKS and corporate website 3 (three) weeks before the meeting.

General Assembly information kit contained detailed information on distribution of company shares, voting rights that this distribution brings and privileges in voting rights. Article 6 -which regulates registered capital- of the Articles of Association was revised at the General Assembly meeting and old and new versions of the Article were disclosed to Public in the information kit. These changes are described in the section of this report titled, **"i. Changes in Capital and Articles of Association"**. However the kit didn't contain information about CV's of Board Members, jobs they undertook within last ten years and their reasons to leave these Jobs and whether they have qualities of independent members.

General Assembly meeting was attended by Chairperson of the Board of Directors Emine Feyhan YAŞAR, Board Members Mustafa

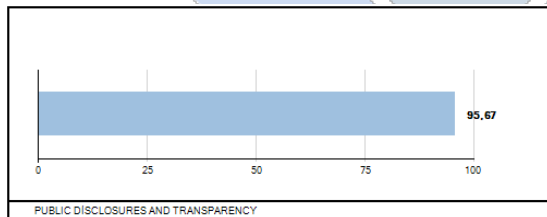
Selim YAŞAR and Kemal SEMERCİLER, General Manager Hüseyin KARAMEHMETOĞLU and Financial Affairs and Finance Director / Investor Relations Department Director Onur ÖZTÜRK. Representative of the independent audit company has also attended the meeting (\*Attendees are listed according to their positions at the time). Serdar İNANÇ, representative of the independent audit company has also attended. Results of the Ordinary General Assembly meeting was registered by Izmir Trade Registry Office on April 02.04.2021.

There are no articles in the Articles of Association allowing to hold General Assembly meetings open to stakeholders and media without right to address; at the same time there is no procedures or Company policies that stop this attendance.

Articles of Association gives one voting right for one share. There are no privileges in voting rights.

According to legal records of the Company, there was a net period loss of TRY 39,857,307 as of 31.12.2020. Other explanations on this subject can be found on the section titled, **“iii.Dividend Distribution”**.

▪ At the section of Public Disclosure and Transparency, Company’s grade has been revised as **95.67**.



It has been seen that the Company continued its activities on disclosures to shareholders and public, as well as on transparency with the same efficiency and sensitivity during the rating period.

It has been observed that the Company made timely and true disclosures during the process of capital increase. Company’s

implementation of this process is the reason for grade increase in this section.

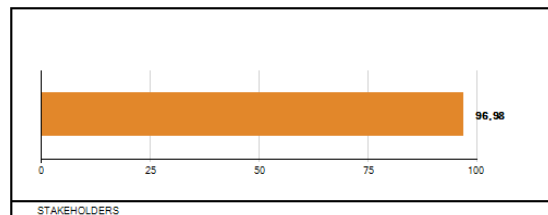
Company’s disclosures for shareholders, stakeholders and public are made in accordance with its “Disclosure Policy”, approved by the Board of Directors.

The officials in the Company who have the authority and responsibility for disclosures are Hüseyin KARAMEHMETOĞLU (General Manager) and Ufuk ATİK (Deputy of Financial Affairs and Finance Director). These officials are charged with the responsibility of dealing with and monitoring all subjects related to public disclosures.

Independent audit of the Company for 2020 has been conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. There have been no circumstances in the report where the auditor avoided expressing opinions, expressed opinions on conditional basis or avoided signature. Company officials have declared that there have been no developments between the Company and the independent audit company or its employees that might damage independence of the auditor and there were no legal conflicts with the audit company. The recommendation by the Board and the Audit Committee in favor of having independent audit of 2021 carried out by the same company has been approved by the General Assembly and decision has been taken in this direction.

It has been seen that Company’s corporate website and annual reports are used in compliance with the criteria stated by principles and efficiently as means of public disclosure.

▪ At the section of Stakeholders, Company’s grade has been confirmed as **96.98**.





It is our impression that the company does its best to respect stakeholders' rights, specified in regulations and mutual contracts and prepared internal regulations to this end.

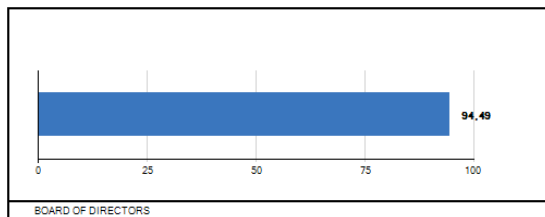
Compensation policy for employees has been prepared and disclosed to public through the corporate website.

Procedures on recruitment, remuneration, health, leave rights, promotions, appointments, disciplinary practices, dismissal, death, resignation, retirement have been prepared. It is our impression that the Company sticks with these procedures in practice. Both during development of the policies and in practice we got the impression that the principle of providing equal opportunities for individuals under equal conditions was respected. There are no employees within the scope of a union-based labor agreement.

The regulations regarding the voluntary sustainability principles harmonization framework were published by the Capital Markets Board in the Official Gazette dated 02.10.2020 and numbered 31262 with the "Communiqué Amending the Corporate Governance Communiqué (II-17.1.A)".

The Company has been disclosing its understanding of sustainable environment and policies to Public since 2017. However, in its annual report for activities in 2020, these policies were not disclosed in a compatible format with the "sustainability principles compliance framework" issued by the CMB.

▪ At the section of Board of Directors, Pınar Su ve İçecek's grade has been confirmed as **94.49**.



It has been found important that the Board leads Company's policies in corporate governance and works to monitor required improvements. The Board continued watching committee activities and the annual report continued to include Board's assessments on committees' activities.

It has been determined that the Board describes Company's strategic targets. Posts of Chairman of the Board and General Manager are held by different individuals. Their powers have been described. Audit, Corporate Governance and Early Detection of Risk Committees, which are referred by the principles, have been established and their working principles have been prepared as written documents. Company's general manager holds no position in the committees.

Company's Board of Directors comprises 7 (seven) members and none of them are executive (\*). 2 (two) Board members are independents meeting CMB criteria. There are 2 (two) women members of Board of Directors. This is in compliance with CMB's recommended ratio of women members.

Board of Directors held 42 (forty two) meetings in 2020. It convened 34 (thirty four) times as of September 2021.

Audit Committee held 5 (five) meetings in 2020 and 6 (six) meetings as of September 2020. Early Detection of Risk Committee held 6 (six) meetings in 2020 and 4 (four) meetings as of September 2021. Corporate Governance Committee held 4 (four) meetings in 2020 and 4 (four) meetings as of September 2021. Meeting results of Committees have been reported to the Board of Directors.

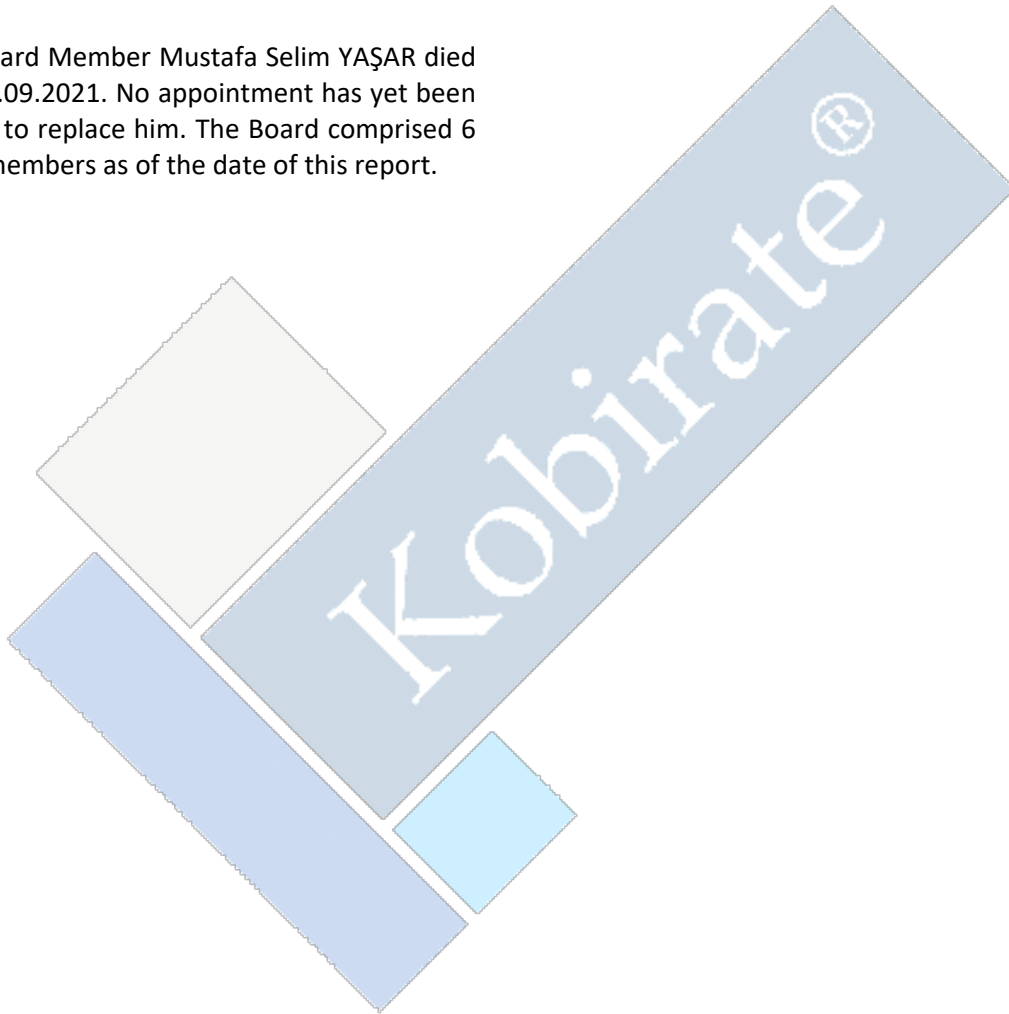
Secretariat services for the Board are provided by Yılmaz GÖKOĞLU, Yaşar Group Boards of Directors Secretary General. Secretariat services for committees are provided by Investor Relations Department under coordination of Boards of Directors Secretary General.

Manager Liability Insurance for Board Members have been made as a group insurance by Yaşar Holding A.Ş., but it has not been disclosed on Public Disclosure Platform.

Remuneration Principles for Board Members and Top Managers have been determined and disclosed to public on corporate website.

There is no practice of performance evaluation in Board of Directors – neither based on Board, nor on individual basis - and rewarding or dismissing members in the light of these evaluations.

(\*) Board Member Mustafa Selim YAŞAR died on 02.09.2021. No appointment has yet been made to replace him. The Board comprised 6 (six) members as of the date of this report.





## 2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

### A. Company Profile:



<b>Company Name</b>	: Pınar Su Sanayi ve Ticaret Anonim Şirketi
<b>Company Address</b>	: Kemalpaşa Mah. Kemalpaşa Cad. No: 262 Bornova/ İZMİR
<b>Company Phone</b>	: (0232) 436 5250
<b>Company Facsimile</b>	: (0232) 436 5204
<b>Company Website</b>	: <a href="http://www.pinarsu.com.tr">www.pinarsu.com.tr</a>
<b>Date of Incorporation</b>	: 24/03/1982
<b>Registered Number</b>	: 45707-K-2016
<b>Paid in Capital</b>	: 94,762,708.45 TL
<b>Line of Business</b>	: Bottling up and selling natural spring water and natural mineral water
<b>Company's Sector</b>	: Production Industry

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

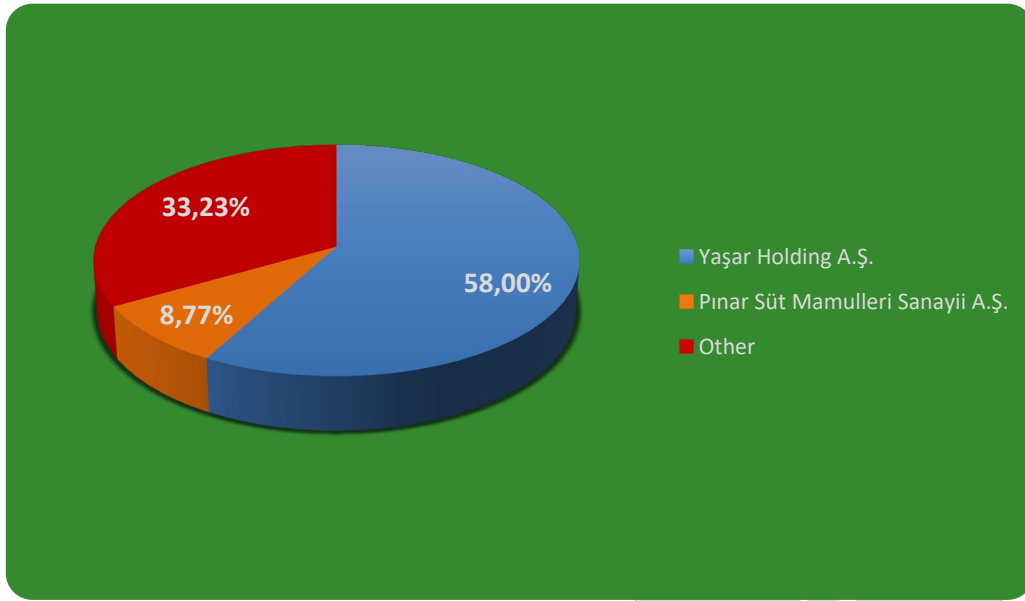
Onur ÖZTÜRK

Investor Relations Department Director

[investorrelations@pinarsu.com.tr](mailto:investorrelations@pinarsu.com.tr)

0232 436 52 50

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



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

Shareholder Name	Share (TL)	Share (%)
Yaşar Holding A.Ş.	54,960,343.68	58.00
Pınar Süt Mamulleri Sanayii A.Ş.	8,314,575.66	8.77
Other	31,487,789.11	33.23
Total	94,762,708.45	100.00

**Shareholder Structure of the Main Shareholder Yaşar Holding A.Ş.**

Shareholder Name	Share (TL)	Share (%)
Hedef Ziraat Tic. ve San. A.Ş. (*)	151,529,465.79	67.06
Yaşar Birleşik Paz. Dağ. Tur. Tic A.Ş.	13,326,851.23	5.90
Other	61,091,712.68	27.04
Total	225,943,161.00	100.00

(\*) Main shareholder of Hedef Ziraat is Yaşar Family.

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

**Real and Corporate Persons Who Indirectly Own the Capital as of Latest Situation**

Shareholder Name	Share (TL)	Share (%)
Hedef Ziraat Tic. ve San. A.Ş.	20,622,179.78	46.07

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

**Important Affiliated Companies and Company's Share in Their Capitals**

Company Name	Company's Line of Business	Paid in/Issued Capital	Company's Share in Capital (TL)	Company's Share in Capital %
DESA Enerji Elektrik Ür. A.Ş.	ENERGY	23,200,000	1,408,571.23	6.07
VİKİNG Kağıt ve Selüloz A.Ş.	PAPER	42,000,000	710,769.34	1.69
YAŞAR Dış Ticaret A.Ş.	EXP. - IMP.	66,272,613.62	616,623.05	0.93

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

**Board of Directors**

Name/ Surname	Title	Executive/ Non-Executive
Emine Feyhan YAŞAR	Chairperson of Board	NON-EXECUTIVE
İdil YİĞİTBAŞI	Deputy Chairperson of Board	NON-EXECUTIVE
Mustafa Selim YAŞAR (*)	Member of Board	NON-EXECUTIVE
Yılmaz GÖKOĞLU	Member of Board	NON-EXECUTIVE
Cengiz EROL	Member of Board	NON-EXECUTIVE
Sezai BEKGÖZ	Independent Member of Board	NON-EXECUTIVE
Yeşim GÜRA	Independent Member of Board	NON-EXECUTIVE

(\*) Board Member Mustafa Selim YAŞAR died on 02.09.2021. No appointment has been made to replace him as of this report's date.

**Top Management**

Name/ Surname	
Hüseyin KARAMEHMETOĞLU	General Manager
Ufuk ATİK	Financial Affairs and Finance Director (Acting)
Onur ÖZTÜRK	Investor Relations Department Director

**Committees Formed Under Board of Directors**

AUDIT COMMITTEE	
Sezai BEKGÖZ	Chair- Independent Member of Board
Yeşim GÜRA	Member- Independent Member of Board
CORPORATE GOVERNANCE COMMITTEE	
Yeşim GÜRA	Chair- Independent Member of Board
Sezai BEKGÖZ	Member- Member of Board
Cengiz EROL	Member- Member of Board
Onur ÖZTÜRK	Member - Investor Relations Department Dir.
EARLY DETECTION OF RISK COMMITTEE	
Sezai BEKGÖZ	Chair- Independent Member of Board
Yeşim GÜRA	Member- Member of Board
Yılmaz GÖKOĞLU	Member- Member of Board
Cengiz EROL	Member- Member of Board

**Balance-Sheet comparison of Company's certain selected items as of first 9 months of last two years**

	30/09/2020	30/09/2021	Change %
Current Assets	119,673,535	149,826,072	25.19
Fixed Assets	258,247,094	332,309,254	28.67
Total Assets	377,920,629	482,135,326	27.57
Short Term Liabilities	262,220,031	349,936,971	33.45
Long Term Liabilities	85,205,534	87,565,147	2.77
Equity	30,495,064	44,633,208	46.36

Source: Pınar Su Sanayi ve Tic. A.Ş. 1 January- 30 September Interim Accounting Period Summary Financial Statements

**Profit / Loss Table comparison of Company's certain items as of first 9 months of last two years**

	30/09/2020	30/09/2021	Change %
Sales Revenues	171,002,947	240,253,548	40.50
Cost of Sales (-)	(89,304,409)	(146,465,640)	64.00
Operational Profit or Loss	8,315,258	(1,342,200)	(-) 83.86
Profit/Loss Before Tax	(23,510,607)	(37,462,403)	59.34
Period Profit/Loss	(23,051,388)	(36,381,215)	57.8

Source: Pınar Su Sanayi ve Tic. A.Ş. 1 January- 30 September Interim Accounting Period Summary Financial Statements

**The Bottom and Peak Closing Values of Company's Shares at BIST Closings between 30.10.2020-01.11.2021**

<b>Bottom (TL)</b>	<b>Peak (TL)</b>
<b>3.68.- (13.10.2021)</b>	<b>5.06.- (14.01.2021)</b>

Source: Pınar Su ve İçecek Sanayi ve Ticaret A.Ş.

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

BIST ALL-100 / BIST MAIN / BIST FOOD, BEVERAGE / BIST INDUSTRIAL / BIST ALL / BIST İzmir / BIST CORPORATE GOVERNANCE

Source: www.kap.gov.tr

## **B. Changes Within Last Year:**

### ***i. Changes in Capital and Articles of Association:***

Article 6 of Company's Articles of Association has been amended in order to raise Company's registered capital upper limit from TRY 50,000,000 to TRY 220,000,000 and to extend its validity period to cover the years 2021-2025. At the same time, Company's issued Capital has been increased from TRY 44,762,708.45 to TRY 94,762,708.45 with a TRY 50,000,000 (117.70%) cash capital increase. Procedures of these two developments and relevant Material Event Disclosures can be found below.

According to Material Event Disclosure dated 03.02.2021:

At the Company's Board of Directors meeting held on 03.02.2021, within the framework of CMB's Communiqué No II-18.1 on the Registered Capital System, it has been decided to amend the Article 6 of Company's Articles of Association, titled "Registered Capital", in order to extend the validity period of the Company's Capital upper limit to cover the years 2021-2025, as the 5-year validity period of the registered Capital upper limit of TRY 50,000,000 specified in Article 6 of Company's Articles of Association will be expired at the end of 2021. At the same time, it has been decided to increase the registered Capital upper limit specified in Article 6 titled "Registered Capital" from TRY 50,000,000 to TRY 220,000,000. Also, the Board of Directors resolved to obtain necessary permits from the CMB and Ministry of Customs and Trade and also to submit the changes to the approval of shareholders at the first General Assembly meeting.

According to Material Event Disclosure dated 15.02.2021:

The draft amendments to the Articles of Association regarding the extension of the validity period of the registered Capital upper limit to TRY 220,000,000 have been approved by the CMB.

According to Material Event Disclosure dated 25.03.2021:

At the Ordinary General Assembly meeting of the Company held on 25.03.2021, Article 6 of Articles of Association titled "Registered Capital" was approved.

According to Material Event Disclosure dated 31.05.2021:

In accordance with the Company's Board of Directors decision dated 29.04.2021, which was announced by Public Disclosure Platform; it was decided to increase Company's issued Capital from TRY 44,762,708.45 to TRY 94,762,708.45 with a TRY 50,000,000 (117.70%) cash Capital increase. Regarding to the Capital increase, an application has been made today (31.05.2021) to the CMB.

According to Material Event Disclosure dated 01.10.2021:

The application to increase Company's issued Capital from TRY 44,762,708.45 to TRY 94,762,708.45, with TRY 50,000,000 (111.70%) cash, while staying under the upper limit of Capital, which is TRY 220,000,000, has been approved by CMB's bulletin dated 30.09.2021 and numbered 2021/48.

According to Material Event Disclosure dated 05.10.2021:

According to CMB's notification dated 01.10.2021 and numbered E-29833736-105.01.01.01-11383, CMB pronounced to approve the prospectus, which is related to the increment of the Company's issued capital from TRY 44,762,708.45 to TRY 94,762,708.45, with TRY 50,000,000 (111.70%) cash capital increase.

According to Material Event Disclosure dated 22.10.2021:

Exercising the rights of new share acquisition, which is related to the increase in Company's issued capital from TRY 44,762,708.45 to TRY 94,762,708.45 (111.70%) fully cash capital increase, started on 07.10.2021 and ended on 21.10.2021.

The total nominal value of shares that corresponds to not exercised new share acquisition rights during the exercise of rights is TRY 54,290.526.

Unsold shares will be offered to the Public in Borsa Istanbul through the intermediation of Ak Investment between October 26-27, 2021 for 2 (two) weekdays. The nominal value per share is TRY 1 and each share cannot be sold for less than TRY 1.

Communication addresses that provide access to Sales Announcement to the Savers are given.

According to Material Event Disclosure dated 27.10.2021 (AK YATIRIM MENKUL DEĞERLER A.Ş.)

Sale of unsold shares, which remained after the exercise of new share acquisition rights, with a nominal value of TRY 54,920, was completed in BIST Primary Market on 26.10.2021. No related party of Pınar Su ve İçecek Sanayi ve Ticaret A.Ş., as described by the CMB, purchased shares.

Company's real ultimate shareholders did not change and relevant information is given on page 8 of our report.

## ***ii. Changes in Management and Organization***

There have been no changes in the structure of Board of Directors during the rating period.

Board Member Mustafa Selim YAŞAR died on 02.09.2021. No appointment has been made to replace him as of this report's date.

According to Company's Material Event Disclosure dated 01.09.2021, Financial Affairs and Finance Director Onur ÖZTÜRK has been appointed to another position within Yaşar Group as of 01.09.2021. Ufuk ATİK has been appointed to this position as a substitute. Onur ÖZTÜRK holds his position as Investor Relations Department Director.

**iii. Dividend Distribution:**

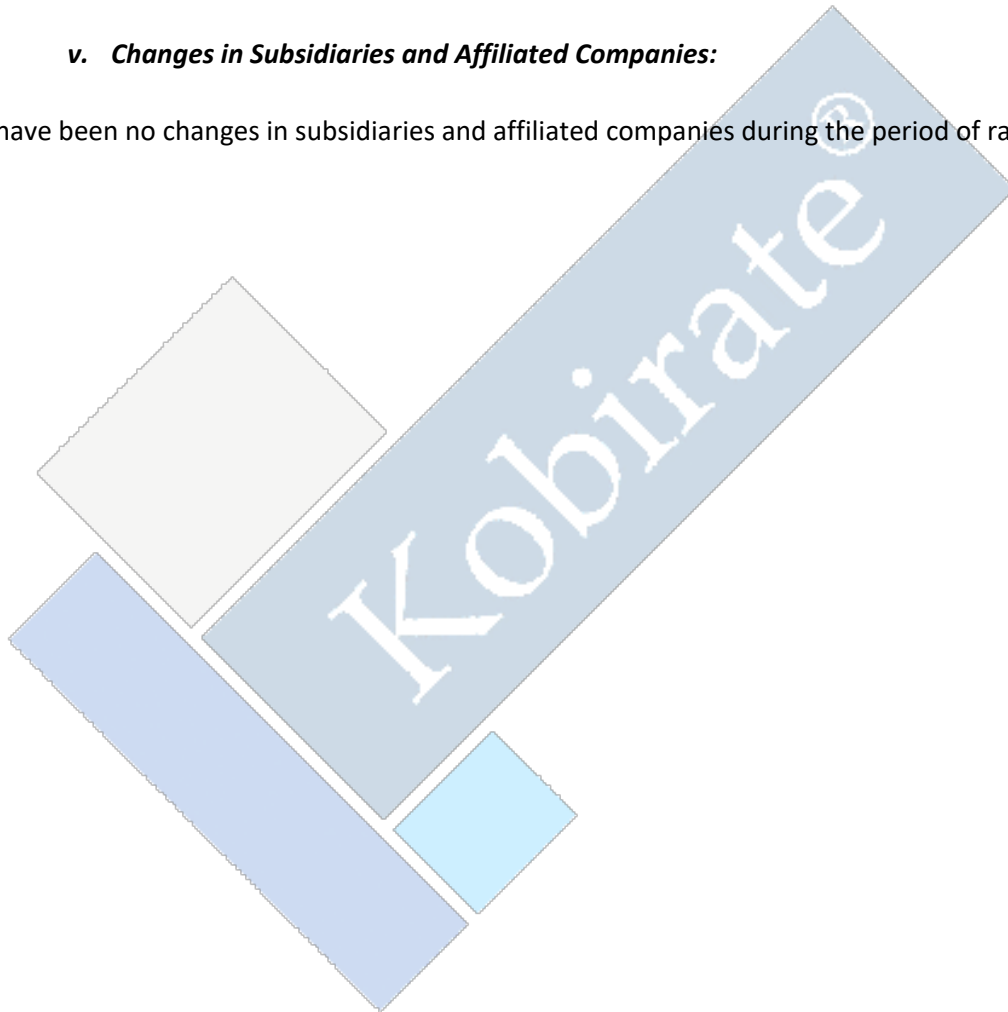
According to the legal records of the Company there has been a net period loss of TRY 39,857,307 as of 31.12.2020. As 2020 activities have resulted in loss, it was decided at the Board meeting on 01.03.2021 not to make any dividend distribution and to present the decision for the approval of General Assembly. The decision was discussed at the General Assembly meeting on 25.03.2021 as Item 13 of the agenda and approved.

**iv. Policies:**

There have been no changes in Company policies during the period of rating.

**v. Changes in Subsidiaries and Affiliated Companies:**

There have been no changes in subsidiaries and affiliated companies during the period of rating.





### 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 3<sup>rd</sup> 2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

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

In the process of rating, **399** different criteria are considered to measure the compliance of BIST third group firms with the corporate governance principles.

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:

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

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