Corporate Governance Compliance Rating Report

Doğuş Gayrimenkul Yatırım Ortaklığı A.Ş.

31 May 2018

Validity Period 31.05.2018-31.05.2019

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Doğuş Gayrimenkul Yatırım Ortaklığı A.Ş. is compiled;

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

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014.

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).

Allthough 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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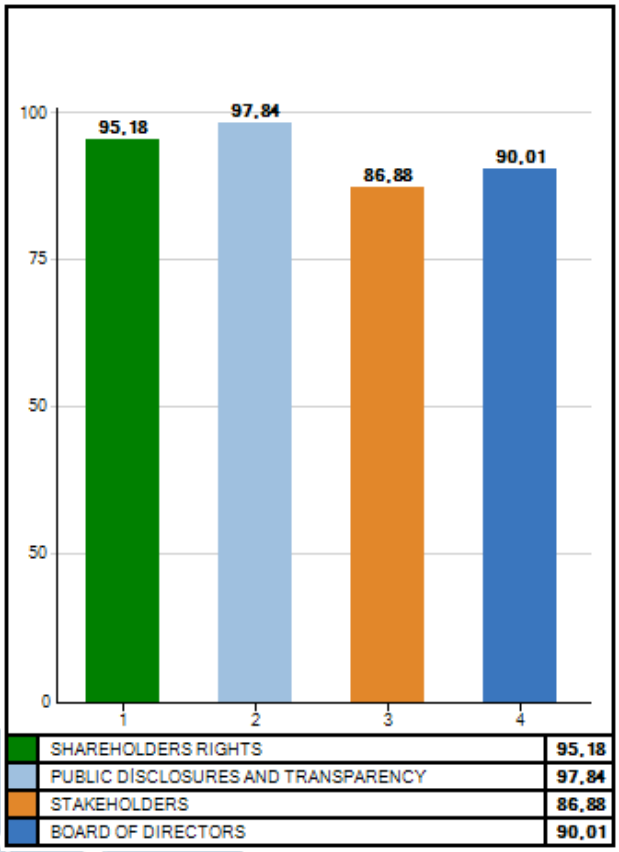
DOĞUŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

BIST INVESTMENT PARTNERSHIPS

CMB CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE GRADE

9.28



Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş

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1. FOURTH PERIOD REVISED RATING RESULT

The process of rating of compliance of **DOĞUŞ GAYRİMENKUL YATIRIM ORTAKLIĞI 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.S., through onsite examinations of the documents, interviews held with executives and persons involved, information open to public and of other reviews, according to the Capital Markets Board's (CMB) Corporate Governance Principles Communiqué no II-17.1 published by the Official Gazette edition 28871 on 03.01.2014.

At the end of examination of 398 criteria – as described in the methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.S. for "BIST Investment Trusts" - under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, the Corporate Governance Compliance Rating Grade of **DOĞUŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.** is determined as **9.28**.

This result signifies that the company has significantly achieved compliance with the CMB's Corporate Governance Principles. Possible risks for the company are determined to a considerable degree and

controlled. Public disclosure activities and transparency are at a high level. Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors is generally compliant with corporate governance principles. This grade indicates that the Company deserves to be included in the BIST Corporate Governance Index.

- The Company's grade at the section of Shareholders has been confirmed as **95.18**. The developments that have been effective for the Company to achieve this grade are listed below.

- Investor Relations Department (IRD) keeps records of written requests by shareholders for information about Company, as well as records of their oral requests,

- IRD completes General Assembly process with great care

- Employees were encouraged in order to increase number of licensed employees within the Company,

- Minority Rights Policy has been prepared in order to develop minority rights,

- There is a separate article in the Articles of Association ensuring that General Assembly meetings to be held openly to public, including stakeholders and media, without the right to address the meeting.

Relations with shareholders are conducted by Investor Relations Department (IRD). Hasan Hüsnü Güzelöz (Board Member) is the Director of the Department (License No: 201358-700296) and Nazlı Yılmaz (Assistant General Manager for Financial Affairs) works as staff in the Department (License No: 213039-703070). Cüneyt GÜNEREN, working at Financial Affairs with the title of Manager, has been successful in licensing examinations and gained the right to a license of Corporate Governance Rating Specialist.

As required by CMB's Corporate Governance Communiqué (II-17.1), dated 03.01.2014, IRD Director Hasan Hüsnü Güzelöz has also been assigned as a member of Corporate Governance Committee since 09.04.2015.

IRD's activities are regularly reported to the Board of Directors. The report on 2017, dated 28.12.2017, has been presented to the Board of Directors.

There is no practice of cancelling or restricting shareholders' right to obtain and review information, imposed by the Articles of Association and/or a decision by any corporate department. Disclosures for shareholders and public are done in accordance with the "Disclosure Policy", which can be reached at the corporate website of the Company.

Ordinary General Assembly meeting for 2017 was held at the head office on 28.03.2018. Invitation for the meeting was made through Turkish Trade Registry Gazette, dated 06.03.2018 and No 9530 and Public Disclosure Platform on 02.03.2018, as well as MKK e – general assembly system (EGKS) and company's corporate website, as required by the principles.

Board Member Hasan Hüsnü GÜZELÖZ, Independent Board Members Hayrullah Murat AKA, Özlem TEKAY and Mustafa Sabri DOĞRUSOY, General Manager Çağan ERKAN, Assistant General Manager for Financial Affairs Nazlı YILMAZ and Financial Affairs Manager Cüneyt GÜNEREN attended to the meeting.

Burak ÖZPOYRAZ (PwC Bağımsız Denetim ve Serbest Mali Müşavirlik A.Ş.), representing Independent Audit Company has also attended 2017 Ordinary General Assembly meeting.

An information document about agenda items of the general assembly has been prepared and published with the invitation for the meeting. The document included information about shareholding structure of

the Company, voting rights that shares bring and privileged shares, management and operational changes that significantly affected Company's activities in 2017 (and will affect in the next period), requests by shareholders, CMB or other public authorities to add items on the agenda, information on members of board and independent members, related parties report, which took place in 2017 and will be realized in the same way in 2018, principles of remuneration for board members and top executives and Dividend Distribution Statement.

At the 2017 Ordinary General Assembly meeting on 28.03.2018, shareholders approved that the Company would be working with PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik as Independent Audit Company in 2018.

Information about the dividend distribution, which has been approved at the General Assembly meeting, is explained at the section of **"*ii. Dividend Distribution*"** in the report.

- Public Disclosure and Transparency grade of the Company has risen to **97.84**. Most important developments that have been effective for the Company to achieve this grade are listed below.

  - Company's Material Event Disclosures are made in English as well as Turkish, for the sake of foreign investors,
  - Annual report included Board's assessment about effectiveness of committees,
  - Annual report included detailed information on social rights and training of employees.

Director of Investor Relations Department Hasan Hüsnü Güzelöz and Assistant General Manager for Financial Affairs Nazlı Yılmaz have signatory authority for public statements. These officials are tasked with monitoring and watching all subjects related to public disclosure.

It is thought that the corporate website of the Company and its annual reports are used effectively as means for public disclosure in accordance with criteria stated by principles.

The Company has regular independent audits. Independent Audit Reports are disclosed to public at the Public Disclosure Platform and Company's corporate website.

- In the section of Stakeholders Company's grade has been confirmed as **86.88**. Most important developments that have been effective for the Company to achieve this grade are listed below.

  - The Company has prepared Human Resources and Training Policy and put them into action,
  - Staff Succession Policy has been prepared and put into action,
  - Policy for stakeholders has been developed and models to protect and inform them and support their participation to management have been prepared,
  - Necessary mechanism has been established for the stakeholders to bring transactions that violate regulations and ethical rules into attention of Corporate Governance Committee.

There are procedures and internal regulations in subjects like recruitment, working conditions, disciplinary practices, power and responsibilities of employees, remuneration, health, leave rights, promotion, reassignment and dismissal, death, resignation and retirement. It has been observed that the Company sticks to these policies in practice.

Compensation policy has been prepared for employees and disclosed to public through Company's corporate website.

Company's Staff Succession Plan continued to be operational in 2017.

It has been seen that training was provided for the employees, both within the Company and externally. According to the information given by officials, employees were provided with 271 hours of training opportunities in 2017 and 181 hours as of 30.04.2018, including foreign language lessons.

Ethical rules, binding for all employees, have been prepared and approved by the general assembly. Ethical rules are disclosed on Company's website. Review and improvement of ethical principles will strengthen Company's compliance with corporate governance principles.

At the 2017 Ordinary General Assembly meeting held on 28.03.2018, information was given that no donations or aid were made in 2017 due to saving measures and it was decided to limit the total amount of donations and aids with TRY 1,000,000 (one million TL) in 2018.

The Company continued in 2017 to support various NGO's by providing them offices from its estate portfolio. Supported projects are described in detail in Company's renewed website.

Doğuş GYO continues to develop its policies in this section.

- In the section of Board of Directors, Doğuş GYO's grade has risen to the level of **90.01**. Most important developments that have been effective for the Company to achieve this grade are listed below.

  - A woman has been appointed as a member of Board of Directors,
  - The Company has prepared a Woman Member Policy for the Board of Directors,
  - Corporate Governance Committee has prepared Staff Succession Policy,
  - Corporate Governance Committee has prepared Productivity Report about Board of Directors' structure and productivity, in the name of Nomination Committee, duties of which it has undertaken,
  - Corporate Governance Committee has started to make remuneration suggestions to the Board of Directors, in the name of Nomination Committee, duties of which it has undertaken,
  - Internal control activities have been outsourced.

Based on interviews at the Company and examination of Decision Books of Board of Directors and Committees, it has been determined that the Board and Committees continue their activities regularly.

The Board has described strategic objectives of the Company. Chairman of Board of Directors and General Manager are different persons. Distribution of duties and powers of members have been determined in the regulation for Board's principles of work. Distribution of tasks is compliant with the principles to a great extent.

Board Member H. Murat AKA resigned on 18.04.2018. He has not been replaced yet.

Company's Board of Directors comprises 5 (five) persons; including 1 (one) Chairman and 4 (four) members. 4 (four) of the members are non-executives and 2 (two) of them are independent, satisfying the independence criteria laid down by Corporate Governance Principles.

Audit Committee, Corporate Governance and Early Detection of Risk Committees have been established as required by the principles. Due to the structure of Board of Directors, a separate Nomination Committee and Remuneration Committee have not been established. Duties of these committees are carried out by the Corporate Governance Committee. Tasks, working rules and membership structures for all three committees have been determined, approved in written documents and disclosed to public in the corporate website. All members of the Audit Committee and

Early Detection of Risk Committee are assigned from independent Members of Board. Chairman of the Corporate Governance Committee is an independent member of board. The CEO / General Manager has no assignment in these committees. Board of Directors held 21 (twenty one) meetings and took 23 (twenty three) decisions in 2017. It held 17 (seventeen) meetings and took 21 (twenty one) decisions as of 22.05.2018.

Audit Committee convened 7 (seven) times in 2017 and reported meeting results to the Board of Directors. It made 4 (four) meetings in 2018.

Corporate Governance Committee convened 5 (five) times in 2017 and reported meeting results to the Board of Directors. It made 2 (two) meetings in 2018.

Early Detection of Risk Committee held 7 (seven) meetings in 2017 and reported results to the Board of Directors. It held 2 (two) meetings in 2018.

Secretariat of the committees is undertaken by Nazlı Yılmaz, Assistant General Manager for Financial Affairs.

Remuneration principles for Directors and top executives has been determined and disclosed to public through Company's corporate website.

Remuneration Policy and the payments within framework of this policy have been presented to the General Assembly at the 2017 Ordinary General Assembly meeting on 28.03.2018.

Professional liability insurance has been done for Members of Board of Directors in all companies within Doğuş Holding A.Ş. Members of Board of Directors of Doğuş Gayrimenkul Yatırım Ortaklığı A.Ş. are covered by this insurance. Insurance was renewed on 08.08.2017 and it is valid until 08.08.2018.

Özlem TEKAY was re - elected as Company's independent member of Board of Directors – as she was last year - at the 2017 Ordinary General Assembly meeting. This re - election is important in terms of Company's targets for woman board member policy.

The Company signed a contract with DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on 12.02.2018 for internal audit activities.

The contract includes internal control assessment, risk assessment, preparation of a risk – based internal audit plan and implementation of internal audit activities.

2017 annual report states that in the period between 01.01.2017 and 31.12.2017, the amount of total benefits has been TRY 170,995 for Members of Board, TRY 552,885 Board consultants and TRY 2,541,477 for top executives with administrational responsibilities, bringing the grand total to TRY 3,265,317. However complying with the principle of disclosing benefits on individual bases will strengthen Company's compliance with corporate governance principles.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:

Company Name	: Doğuş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi
Company Address	: Doğuş Center Maslak, Maslak Mah. Ahi Evran Caddesi No: 4/7 34398 Maslak Sarıyer-İstanbul
Company Phone	: (0 212) 335 28 50
Company Facsimile	: (0 212) 335 28 99
Company's Web Address	: http://www.dogusgyo.com/
Company's E-Mail Address	: info@dogusgyo.com.tr
Date of Incorporation	: 30 Temmuz 1997
Registered Number	: 373764-321346
Line of Business	: Investment on real estate and real estate based capital market instruments, real estate projects, real estate based rights and capital market instruments.
Company's Sector	: Real Estate Investment Partnership

Company's Representative in Charge of Rating:

Nazlı Yılmaz

Assistant General Manager for Financial Affairs

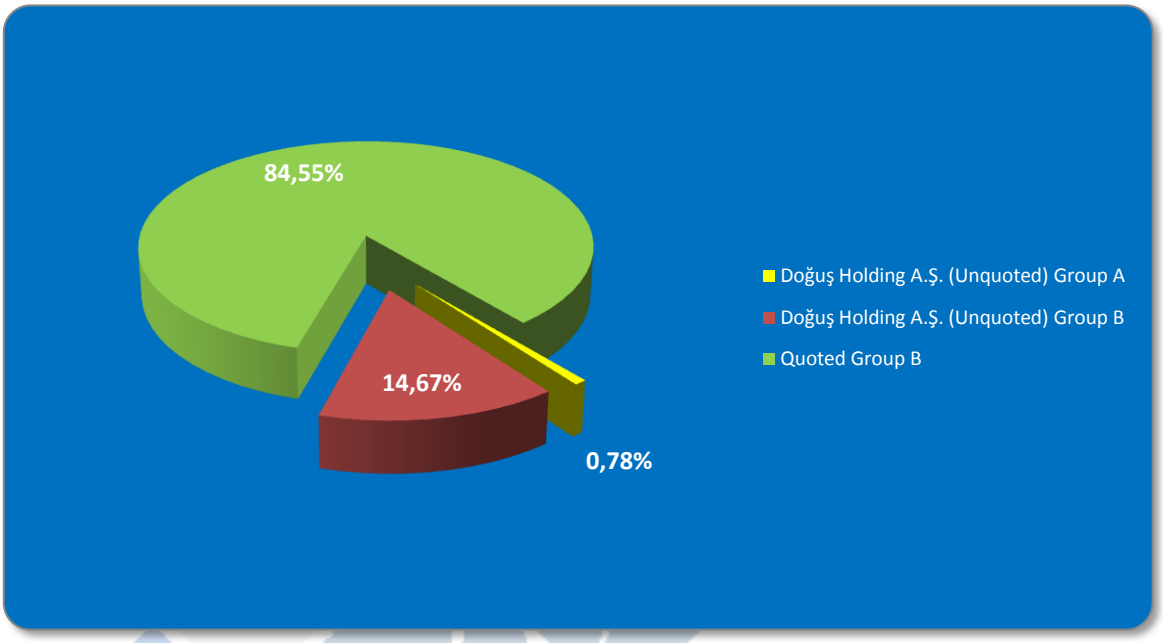
nazliyi@dogusgyo.com.tr

(0212) 3352850

Shareholder Structure

Shareholder Name	Group	Type	31.12.2016 Share (%)
Doğuş Holding A.Ş. (Unlisted)	A	Registered	0,78
Doğuş Holding A.Ş. (Unlisted)	B	Bearer	14,67
Listed Part	B	Bearer	84,55
Total			**100,00**

Source: www.dogusgyo.com.tr



Board of Directors (As of 18/04/2018)

Name/ Surname	*Title*	*Executive / Non-Executive*
Hüsnü Akhan	Chairman of Board of Directors	Non-executive
H. Murat Aka*	Member of Board of Directors	Non-executive
Hasan Hüsnü Güzelöz	Member of Board of Directors	Executive
Ekrem Nevzat Öztangut	Member of Board of Directors	Non-executive
Mustafa Sabri Doğrusoy	Member of Board of Directors (Independent)	Non-executive
Özlem Tekay	Member of Board of Directors (Independent)	Non-executive

Source: www.kap.gov.tr
He left his job on 18/04/2018. (Public Disclosure Platform Material Event Disclosure dated 18/04/2018)

COMMİTTEES OF BOARD OF DIRECTORS

AUDIT COMMİTTEE

Member Name/ Surname	*Title*
Mustafa Sabri Doğrusoy	Chairman / Independent Member of Board of Directors
Özlem Tekay	Member / Independent Member of Board of Directors

PDP Statement dated 06.04.2018

CORPORATE GOVERNANCE COMMİTTEE

Member Name/ Surname	*Title*
Mustafa Sabri Doğrusoy	Chairman / Independent Member of Board of Directors
Özlem Tekay	Member / Independent Member of Board of Directors
Hasan Hüsnü Güzelöz	Member / Member of Board of Directors -IRD Director

PDP Statement dated 06.04.2018

EARLY RISK DETECTION COMMITTEE

Member Name/ Surname	Title
Mustafa Sabri Doğrusoy	Chairman / Independent Member of Board of Directors
Özlem Tekay	Member / Independent Member of Board of Directors
Hasan Hüsnü Güzelöz	Member / Member of Board of Directors -IRD Director

PDP Statement dated 06.04.2018

Executive Management

Name/ Surname	Title
Çağan Erkan	General Manager
Nazlı Yılmaz	Assistant General Manager –Financial Affairs
Ertan Barın*	Assistant General Manager -Project Management
Cem Engin	Assistant General Manager -Corporate Communication and Marketing

*He resigned his job on 06/04/2018

Balance-Sheet Comparison of Company's Certain Selected Items for yearends of last two years

	2016/12 (TL)	*2017/12 (TL)*	*(%)*
Current Assets	7.653.144	17.367.884	126,94
Fixed Assets	1.034.231.537	1.147.686.824	10,97
Total Assets	1.041.884.681	1.165.054.708	11,82
Short Term Liabilities	57.089.362	60.779.475	6,46
Long Term Liabilities	158.203.015	223.689.246	41,39
Equity	826.592.304	880.585.987	6,53

Source: www.kap.gov.tr / 01.01.2017-31.12.2017 Doğuş GYO A.Ş. Board of Directors Annual Report

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

Bottom (TL)	*Peak (TL)*
2.73-TL (11.04.2018)	**3.73-TL (24.07.2017)**

Source: Doğuş GYO A.Ş.

Brief History of the Company

The company started to be quoted in the stock exchange as the third Real Estate Investment Partnership, under the title of Osmanlı GYO on July 25, 1997.

At the end of 2001, as a result of merger between Osmanlı and Garanti Banks (both Doğuş Group banks), Garanti Bank owned 51 % of the company and it became a subsidiary of Garanti Bank.

Foundations of EVIDEA Project, Garanti GYO's first housing project, were laid in November 2004. Built on a field of 34.000 m², it has a construction area of 101,000 m², including 73,000 m² housing and 24.500 m² social facilities area.

All the apartments of EVİDEA Project, launched by Garanti GYO and Yapi Kredi Koray, combining their experience in real estate development and finance, were delivered to owners by the end of 2007.

In June 2005, Garanti GYO started construction of Doğuş Center Maslak project in Maslak, Istanbul. Total area of this project was 63,202 m^2, including 47,398 m^2 rentable area. Doğuş Center Maslak was inaugurated on November 9, 2006.

After Garanti Bank sold its Garanti GYO stocks to GE Capital Corporation and to Doğuş Holding, company's shareholding structure changed as 25.5 % Doğuş Holding A.Ş., 25.5 % GE and 49 % open to public as of December 1, 2006. Commercial title was registered as Doğuş-GE GYO A.Ş. at the same date.

General Electric (GE) Capital Corporation sold its stocks of Doğuş-GE GYO to Doğuş Holding by January 2011 and 51 % Doğuş Holding and 49 % open to public. Commercial title was registered as Doğuş GYO A.Ş. at the same date.
Gebze Center Shopping Mall joined Doğuş GYO real estate portfolio as a result of partial demerger transaction, which was completed on 26.12.2013. Its construction was started by Doğuş Gayrimenkul Yatırım ve İşletme A.Ş. in August 2008. Gebze Center Shopping Mall was opened on September 3, 2010, with a budget of USD 180 million, 59,054 m^2 rentable area and about 130 shops.

After Gebze Center Shopping Mall joined Doğuş GYO real estate investment portfolio, development work started to enlarge the mall and create a mixed living center by adding new buildings and a hotel project. After construction license was received on 20.02.2015, construction started. The project has a construction area of 47,045 m^2 and includes a 158 – room hotel, commercial units and car showroom and service areas.

As a result of partial division, which was completed on 06.09.2016, Doğuş Center Etiler has joined Doğuş GYO's real estate investment portfolio. Total land area of Doğuş Center Etiler is 36,440.80 m2 and it comprises 45 independent sections. Its total rental area is 9.827 m2. With its offices and social facilities, Doğuş Center Etiler is one of the leading business centers in the region.

Investment for Gebze Center Hotel and additional buildings project started in 2015. The project was completed in 2017 and the hotel was opened under the brand of "Hyatt House Gebze". Automotive showroom and service area, as well as additional shopping mall units are all rented.

The Company is currently listed at BIST ALL / BIST FINANCIAL / BIST REAL ESTATE INV.PART. / BIST ALL-100 / BIST CORPORATE GOVERNANCE indexes.

B. Changes Within Last One Year:

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

There have been no changes in Company's Articles of Association during the rating period.

ii. Dividend Distribution:

According to Material Event Disclosure issued on Public Disclosure Platform, dated 02.03.2018, at the meeting of Company's Board of Directors on 02.03.2018;

It was stated that according to Solo financial statements prepared for the period between 01.01.2017 and 31.12.2017, in accordance with CMB's required formats and Turkish Accounting Standards / Turkish Financial Reporting Standards (TMS/TFRS), within the scope of CMB's "Communiqué on the Principles of Financial Reporting in Capital Market", no: (II-14.1); the Company earned TRY 54,065,513 period profit from its operations in 2017. According to Company's legal records kept within the frame of Tax Procedure Law, period profit for 2017 was TRY 6,040,504.27.

General Legal Reserve for 2017, which is prepared within the scope of CMB regulations and Company's dividend policy and should be allocated by the requirement of Articles of Association, has been calculated via the period profit shown by legal records and determined as TRY 302,025.21. After TRY 302,025.21 has been allocated as General Legal Reserve, net distributable profit in accordance with CMB regulations has been determined as TRY 53,763,487.78. Net distributable profit, calculated through legal records in accordance with Tax Procedure Law was determined as TRY 5,738,479.05.

It has been decided to ask for General Assembly's approval to transfer 2017 net distributable profit into the account of Extraordinary Reserves, in line with Company's current investment and growth policies, instead of distributing it.

The decision has been discussed at the Ordinary meeting of General Assembly on 28.03.2018 as 6th item of the agenda and accepted unanimously.

iii. Policies:

Within the period of rating;

Updated Remuneration Policy was presented to the General Assembly at 2017 Ordinary General Assembly meeting on 28.03.2018.

Other policies of the Company are current; therefore there has been no other change during the rating period.

iv. Management and Organization:

Board Member Hayrullah Murat AKA resigned from his position during the rating period on 18.04.2018 and the resignation was accepted by the Board of Directors. There has been no appointment for the emptied seat and the Board continues its activities with 5 members in compliance with Company's Articles of Association.

Ertan BARIN, Company's Assistant General Manager for Project Management resigned on 06.04.2018. Since Gebze Center and Additional Buildings project has been completed, Project Management Department was also closed.

v. Other

According to Company's Public Disclosure Platform Statement dated 16.05.2018, the Board, at its meeting on 16.05.2018, decided to sell Antalya 2000 Plaza, which is registered at the address of Antalya province, Muratpaşa Borough, Haşimişcan neighborhood, Block No 10479, Layout N1 and consisting of 2 basements, ground level, 10 floors and 92 independent units, to Kar Otomotiv ve Tekstil Ticaret Limited company for TRY 10,600,000 (VAT excluded) in one advance payment and to start deed transfer procedures.

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 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, **398** criteria are considered to measure the compliance of BIST investment trusts with the corporate governance principles.

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

According to CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99

(KBRT)-267/3854, the following rates are applied in the new Corporate Governance Compliance Rating:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB has sent its notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452, on CMB decision dated 01.02.2013 and numbered 4/105 to our company, which required adding new questions into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements of CMB issued good corporate governance principles – bringing 85 % of full points at most – will be included in the rating grade.

The 2014/2 revised corporate governance compliance rating methodology, created by our company, is restricted if the minimum conditions of corporate governance principles – declared in CMB notification of Corporate Governance dated 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. As the company applies and internalizes the criteria stated in corporate governance principles and our company finds out other good corporate governance criteria complied and practiced by the company; our rating system completes the section ratings to 100.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is unsatisfactory compliance with CMB's Corporate Governance Principles in the existing structure.

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4. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ A. Ş. CORPORATE GOVERNANCE COMPLIANCE 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.