



European Bank
for Reconstruction and Development

**CAPITAL MARKETS BOARD OF TURKEY
CORPORATE GOVERNANCE MONITORING REPORT
2019**

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Legal Notice

This Report is prepared under the guidance of a Consortium led by Nestor Advisors Ltd., as a publishing of Capital Markets Board of Turkey (“**CMB**”) and European Bank for Reconstruction and Development (“**EBRD**”) in the context of the Project “Support to the CMB in the Implementation of Corporate Governance Principles”.

CMB is not liable due to the outcome of any investment or other decisions based on the information in this Report.

Preface

The Corporate Governance Monitoring Report constitutes one of the main pillars of the Corporate Governance Reporting Framework developed in the context of the Project “Support to the CMB in the Implementation of Corporate Governance Principles” encompassed in the capital markets legislation. In the Corporate Governance Reporting Framework, which entered into force with the Board Resolution number 2/49 and dated January 10, 2019, companies are expected to accurately and clearly declare their compliance with the principles, and to provide an explanation in accordance with specific criteria, regarding the principles that they do not fully comply with.

Quality of reporting is of key importance within a Corporate Governance Framework, which adopts the ‘Comply or Explain’ approach. Notwithstanding that in this approach it is possible not to comply with non-mandatory principles, it is mandatory to provide a qualified explanation regarding the reason for non-compliance. For, in the ‘Comply or Explain’ approach, the most important driving force behind the improvement of corporate governance practices of companies is that shareholders and other stakeholders appreciate good practices and reflect this appreciation in investment decisions and other resource allocation decisions.

The companies whose shares are traded at Borsa İstanbul A.Ş. submit disclosures in relation to their compliance status, corporate governance practices, and provide explanations in case of non-compliance within the scope of the Corporate Governance Communiqué number II-17.1. In this context, the Corporate Governance Monitoring Report is a mechanism designed to actively monitor the reporting quality, as it ensures the development of an aggregate view on these disclosures. Thus, it renders it possible to more effectively identify aspects open to improvement.

Capital Markets Board of Turkey (“**CMB**”) and the European Bank for Reconstruction and Development (“**EBRD**”) would like to thank the consortium leader Nestor Advisors Ltd., Unsal Law Firm, the Project Leader David Risser, and the Local Corporate Governance Expert Dr. Burak Koçer for their diligent work in the development of the Corporate Governance Reporting Framework.

Abbreviations

AGM	Annual General Meeting	
BIST	Borsa Istanbul	The Borsa Istanbul is the sole exchange entity of Turkey.
BIST 30	Borsa Istanbul 30 Index	An index composed of 30 stocks from among the companies traded in the Star Market segment at BIST
BIST 100	Borsa Istanbul 100 Index	The main index in the BIST stock market. BIST 100 is composed of 100 stocks from among the companies traded in the Star Market segment.
CMB	Capital Markets Board of Turkey	The Capital Markets Board of Turkey is the financial regulatory and supervisory agency of Turkey
CRF	Compliance Report Format	Issuers' multiple-choice responses on their compliance status in relation to the non-mandatory principles
CGIF	Corporate Governance Information Filings	Issuers' responses on questions relating to a set of both mandatory and non-mandatory principles
Communiqué	Communiqué No. II-17.1 on Corporate Governance	The Corporate Governance Communiqué of the CMB (No. II-17.1) sets the general standards of Corporate Governance in Turkey. Listed companies on BIST are subject to comply with Corporate Governance Principles therein.
EBRD	European Bank for Reconstruction and Development	
Group		The sample group of this Monitoring Report consisting of BIST 100 companies
Manual	Corporate Governance Reporting Manual	A manual released by the CMB that includes guidelines on how to report compliance status and what constitutes a good explanation
NEXT 70		A sub-group created for this research, which consists of 70 stocks that are part of BIST 100 but not BIST 30
PDP	Public Disclosure Platform	An electronic system on which notifications are announced to

		the public with an electronic signature in accordance with the capital market and exchange legislations.
Principles	Corporate Governance Principles	The 97 mandatory and non-mandatory Corporate Governance Principles from the Communiqué. 24 of these principles are mandatory and 73 are non-mandatory. The non-mandatory principles operate on a 'Comply or Explain' basis.

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I. Executive Summary

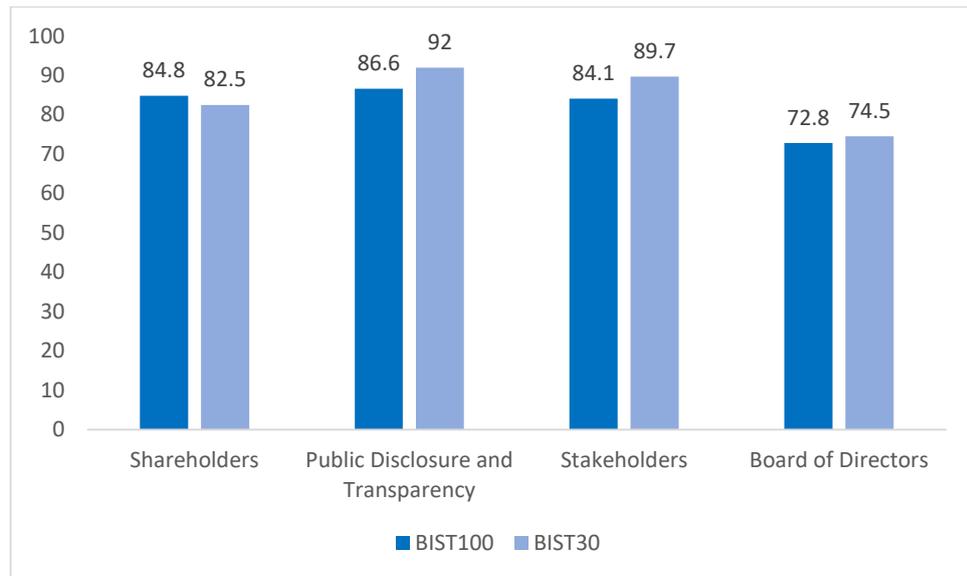
A. General Overview

1. The 2019 Corporate Governance Monitoring Report (the “**Monitoring Report**” or “**Report**”) constitutes the Capital Markets Board of Turkey’s (the “**CMB**”) first Monitoring Report on corporate governance practices in light of the new reporting framework, which was introduced by the CMB decision no. 2/49, dated 10 January 2019, in order to analyse corporate governance practices of the companies listed at the Borsa Istanbul (“**BIST**”), which are to comply with the CMB Communiqué II-17.1.
2. This Report is prepared to promote compliance with the Corporate Governance Principles annexed to the CMB Communiqué II-17.1, provide insight about why the CMB is promoting the widespread implementation and offer guidance to companies. The data in this Report is based on 2019 corporate governance reporting of the companies listed on the BIST 100 and BIST 30 indices based on their practices as of the end of 2018. Effective functioning of the corporate governance framework requires traction from the investment community as well, in addition to the monitoring of the CMB. We hope that the report will also serve as a reference document for institutional investors, which play a key role in promoting best practices in the market.

“Effective functioning of the corporate governance framework in any market requires traction from the investment community as well.”

3. Three quarters of the Principles are non-mandatory and follow a comply or explain approach, which provides flexibility to companies. Accordingly, the Compliance Report Format (“**CRF**”) introduced under the new Corporate Governance Framework of the CMB expects companies to disclose their compliance status to non-mandatory principles only and to provide an explanation in case of non-compliance. In 2019, BIST 100 companies disclosed an overall compliance rate of 80% with the non-mandatory Principles. The overall compliance level of BIST 30 is reported as being slightly higher at 82.5%. The average compliance levels reported in each of the four categories of the Principles is presented in Figure 1:

Figure 1. Average Compliance Levels per Category



B. Compliance Reporting and Explanations

4. It is worth noting that a large number of miscoding¹ issues were noted related to the compliance status. 385 instances of responses showing a miscoding was identified of the compliance status, representing about one case of miscoding for every twenty answers. Especially a significant number of companies reported a 'Partial' compliance status for 256 instances on various practices, despite their explanations clearly indicating instances of non-compliance. The shortcomings in reporting are attributed to the fact that 2019 was the first year of implementation and the companies might have experienced adaptation difficulties. Starting from the new reporting period, companies are expected to take into account the explanations provided in this report and might be requested to provide supporting documents to back their disclosed compliance status in case of miscoding.

“Under the ‘Comply or Explain’ approach compliance with non-mandatory principles is optional but providing explanations is mandatory in case of non-compliance.”

5. Another key finding during the analysis of CRF appeared to be the disappointing level of explanations². Under the 'Comply or Explain' approach, the quality of explanations is a fundamental element for the effectiveness of reporting. In fact, under this approach compliance with non-mandatory principles is optional but providing explanations at the desired standards is mandatory in case of non-compliance. The CMB has outlined the standards for a sufficient explanation in the Corporate Governance Reporting Manual

¹ Miscoding relates to a response, which provides a compliance status that contradicts the explanation provided or that cannot occur given the question (a binary yes/no question answered by a partial compliance status) or the status of the respondent (benefitting from exemptions or not).

² A detailed review of explanations is provided in Chapter IV. 'Implementation of Principles' Section C. 'Explanations on Compliance Status'.

(“Manual”)³ published in March 2019 and presented to companies in trainings in 2018 and 2019 with the introduction of the new framework. Based on a review of CRFs disclosed by the companies in 2019, it is noted that although all companies provided some sort of text in every instance of non-compliance, only one instance out of 1298 explanations contains information on all criteria described in the Manual, hence categorized as ‘Sufficient’.

6. Accurate and sufficient disclosures in case of non-compliance are of critical importance both for the companies and the investors. Boards of directors and investor relations departments are expected to take an active role in reporting the compliance status accurately and providing explanations at the requested quality standards.

C. Principles with the Highest and Lowest Level of Compliance

7. In line with the reports of BIST 100 companies, Table 1 and Table 2 present the first five principles with the highest and lowest compliance levels, which are found meaningful within the scope of this Report in terms of protecting shareholders and stakeholders’ rights:

Table 1. Five Principles with the Highest Compliance Rate

No.	Principle	Compliance (%)
1.4.1	There is no restriction preventing shareholders from exercising their shareholder rights.	100
1.6.1	The dividend policy approved by the General Shareholders’ Meeting is posted on the company website.	100
1.6.4	The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	100
3.3.2	Recruitment criteria are documented.	100
4.4.4	Each member of the board has one vote.	100

Table 2. Five Principles with the Lowest Compliance Rate

³ The Manual is available at www.spk.gov.tr/Sayfa/Dosya/1303

No.	Principle	Compliance (%)
1.5.2	The Articles of Association extends the use of minority rights to those who own less than one twentieth of the outstanding shares and expands the scope of the minority rights.	0
4.6.5	Individual disclosure of remuneration of board members and executives.	0
4.5.5	Each board member sits only in one committee.	3
4.3.9	Board policy which sets a minimum women director ratio of 25%. Board composition to be reviewed annually and nomination process to be carried out to reach the target ratio.	10
4.4.7	The company has a policy on limiting the external commitments of board members. Shareholders are informed on the external commitments in the annual general meeting.	10

D. Board Composition and Functioning

8. An effective board has well-defined functions, is active, well composed and structured, with effective procedures and supported by well-functioning committees. International best practices advocate for a board structure, which is composed of sufficient number of independent directors, is diversified enough in the fields that the company's operations require and refreshes itself by adding new members. The report revealed that there is room for improvement with respect to BIST companies' boards in terms of all these three dimensions. Compliance with the non-mandatory principles in the 'Board of Directors' category is lower than all other categories for both BIST 100 and BIST 30, with 72.8% and 74.5%, respectively.

“International best practices advocate for a board structure, which is composed of sufficient number of independent directors, is diversified enough in the fields that the company's operations require and refreshes itself by adding new members.”

9. The Monitoring Report findings reveal that the board compositions of both the BIST 100 and BIST 30 are designed to comply with what is required at the minimum level pursuant to the mandatory Principle 4.3.2⁴ on the number of non-executive directors and Principle 4.3.4⁵ on the number of independent directors. This outlook reveals that board independence beyond the mandatory level has not gained much popularity. Overall, 39% of the Group have an independent director rate that is less than one third of the

⁴ Principle 4.3.2: Majority of the members of the board of directors shall consist of members who do not have an executive duty. (...)

⁵ Principle 4.3.4: The number of independent board members cannot be less than one third of the total number of board of directors. In calculation of the number of independent board members, fractions shall be considered as the following whole number. In any case, the number of independent board member shall not be less than two.

board, while only 4% of companies have a board with more than 50% independent directors.

10. Insufficient level of independence also makes it difficult to comply with Principle 4.5.5 suggesting each board member to undertake only one committee role. Only 3% of companies reported that they comply with this requirement. This may undermine the quality of work in those committees, as existing independent directors may be overburdened and not necessarily well qualified for all committees, to which they are appointed.
11. Another dimension characterizing a strong board composition is the presence of female directors. Compliance with the Principle 4.3.9 on setting a minimum target of 25% for female directors is fairly low with an average compliance rate of 10% for the BIST 100 and 13% for the BIST 30 companies. The average ratio of women on the boards of BIST 100 and BIST 30 companies is 14% and 15%, respectively. While 34% of the companies have no women directors on their boards, 20% of them have a board with a women director ratio of at least 25%. These results reveal that the presence of women directors shall not be framed as a social issue only but also as a board attribute that is linked to board effectiveness and company performance. Accordingly, the pool of eligible directors shall be broadened by adding more qualified women.
12. The third factor, which was analysed with respect to the board structure was the tenure of directors on the board. For the past decade, significant attention has been paid internationally to the issue of board refreshment. The primary concern is that a stale board—one that has not added new members for many years—may become complacent, whereby a lack of independence and new perspectives could pose significant risks in relation to long-term performance and effective oversight of management. A board which is too fresh may, on the contrary, lack the necessary history and knowledge to ensure constructive challenge. We find that the rate of BIST 100 companies with an average board tenure of more than 10 years is 54%. Considering the maximum term limit of 6 years for independent directors, the tenure of the rest of the board is even greater than 10 years, which may signal a lack of fresh ideas and matching the board's skills with ever-changing business models, technological advances and environmental and social requirements.
13. Insufficient level of independence, lack of sufficient women directors and relatively high board tenure suggest that companies need to put more emphasis on the independence concept and the inclusion of women directors, while reviewing their boards.
14. In addition to board structure, effective functioning of the boards is also reviewed. Boards, to function effectively, need to meet in person or digitally. However, the findings revealed that the boards meet too frequently, with a median⁶ of 25 and one company in our sample reporting up to 94 meetings. These numbers imply a possible misinterpretation of the question regarding the meeting frequency by the companies. In fact, during the preliminary studies in the context of the new reporting framework, it was noticed that many companies report the number of their board resolutions instead of board meetings. However, the Principles of Corporate Governance are concerned with the board meetings not resolutions. The transparency on board meetings and effective board functioning remain insufficient with this reporting approach. Holding

⁶ The middle number in an ascending or descending order of numbers

board meetings pursuant to an annual calendar in line with the company's priorities, which are organized with an appropriate agenda circulated in advance, correct data, and adequate preparation is considered an important indicator of the quality of corporate governance practices.

15. Board effectiveness has a direct impact on the quality of corporate strategy, business performance and the capacity to attract capital. Regular board reviews are essential for board effectiveness and are increasingly required by regulators, best practice codes and investors. However, it is noted that board performance evaluation is not a widespread practice within the Group. In fact, approximately 60% of the issuers did not have any board performance evaluation and only 3% had conducted an evaluation facilitated by an external party.

E. Websites in Foreign Languages

16. Transparency is one of the key pillars of good governance. Transparency alleviates information asymmetries that would otherwise impair the efficiency of governance mechanisms. Company websites play an important role to support the need for improved transparency. One noteworthy finding is that compliance with the principle 2.1.4 is relatively low, which recommends the company website to be prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content. This Principle reaches the lowest compliance rates of the 'Public Disclosure and Transparency' category (59% for the BIST 100 and 80% for the BIST 30). This low compliance level is explained especially by the fact that most companies publish their websites in a foreign language but do not include the whole range of documents found on their original, Turkish website. The quality and completeness of company websites in foreign languages are considered as important factors supporting the development of capital markets, while allowing equal access to information among the shareholders.

F. Stakeholder Participation

17. The 'Stakeholders' category focuses on practices designed to protect the rights of employees and other stakeholders including suppliers and consumers. Although this category has shown high compliance levels (BIST 30: 84% and BIST 100: 90%), the responses revealed that some principles in this category are not as well embraced by companies as others and distinct differences were observed in terms of compliance. One Principle, which has recently come to the fore internationally is the need to put more weight on stakeholder consultation. International best practice calls for companies to include direct interaction with its stakeholders, given that stakeholder interests must be considered as part of ensuring strong corporate governance and promoting long-term value creation. The results obtained from the CRF revealed that there is significant room for improvement, since compliance reached only 55% in the BIST100 and 67% in the BIST30 in compliance with Principle 3.2.2 on consulting with the stakeholders with respect to important decisions which might affect their interests.
18. The ability to escalate and report wrongdoing is gaining importance in most international corporate governance codes and is now considered an important pillar of sound internal controls. Taking a closer look at Principle 3.1.4 regarding the existence of a whistleblowing programme for reporting legal and ethical issues, both BIST 100 and BIST 30 reach compliance levels of over 90%. The companies disclose that it is mostly

the Chair of the Ethics Board (23%), the Internal Audit Manager (23%) or the Chair of the Audit Committee (22%), who is responsible for their whistleblowing mechanism. On the other hand, Corporate Governance Information Filings (“**CGIF**”) indicates that 5% of BIST 100 and 10% of BIST 30 companies have not established any whistleblowing mechanism.

II. At a Glance

Shareholders

Annual General Meeting



Attendance



Shareholder Rights



No privileged shares



No limit to share transfer



0% Expand the scope of minority rights

Dividends



Explain why they did not distribute dividends

100% Have a dividend policy



Public Disclosure and Transparency

Company Website



Complete Information



Foreign Language Website



Annual Reports



100% Provide all necessary content

Stakeholders

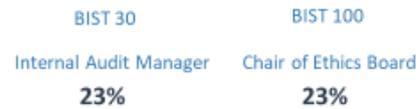
Whistleblowing Policy



Have the policy



Responsible for the Whistleblowing process



Stakeholder Participation



Opinions of Stakeholders sought for significant decisions affecting them



NO models supporting the participation of stakeholders



Board of Directors

Board Structure



Independent Directors



Over 25% women directors on board



Board Tenure



Board Practices



Conducting board evaluations



Limit to external commitments



III. Annual Activities of CMB

A. Monitoring Activities

19. Within the framework of the Communiqué no II-17.1 prepared on the basis of the Capital Market Law dated December 6, 2012 and numbered 6362, Article 17 titled 'Corporate Governance Principles', the companies whose shares are traded in BIST Star Market and BIST Main Market are obliged to implement the Corporate Governance Principles, which are defined as mandatory according to the Article 5 of the Communiqué and they are obliged to disclose to the public their status regarding the non-mandatory principles in line with the 'Comply or Explain' approach.
20. According to Article 8 titled 'Corporate Governance Principles Compliance Reports' of the Communiqué; all listed companies are required to disclose in their annual reports whether they implement the corporate governance principles, if not, they need to provide a qualified explanation, and they also need to state the conflicts of interest arising due to not fully complying with the Principles, and finally, they need to state whether there is a plan to change the company's management practices in the future in that respect. Pursuant to the same article, the guidelines regarding the content, format and disclosure of Corporate Governance Compliance Reports are determined by the CMB.
21. Furthermore, according to Article 8 titled 'Annual and Interim Activity Reports of the Board of Directors' of the Communiqué II-14.1 on Principles Regarding Financial Reporting in Capital Markets, it is mandatory that the annual reports include a Corporate Governance Principles Compliance Report, which has been prepared either compulsorily per the legislation or voluntarily, and the interim reports should include the important issues related to the interim period among the issues presented in the annual reports along with their effects on the financial statements, and the significant risks and uncertainties regarding these issues for the rest of the accounting period.
22. The corporate governance reporting stated above is also used as a basis for the corporate governance ratings of companies, and it is believed that the reporting plays a role in investors' decisions. In this context, the CMB and the EBRD launched the 'Support to the CMB in Implementing the Corporate Governance Principles' Project approved with the Board Resolution numbered 43/1415 and dated December 31, 2013, in order to improve reporting on corporate governance practices and to actively monitor and oversee these practices.
23. Within the scope of this project, reporting documents and templates have been prepared in order to evaluate the corporate governance practices of companies and to monitor the quality of compliance reports. These templates have been adopted to the Public Disclosure Platform ("PDP") 4.0 by the Central Registry Agency, i.e., MKK, and a pilot study was launched in September 2018. Volunteering companies submitted the templates electronically based on their data as of June 30, 2018. Problems encountered during the pilot implementation phase, both in relation to content and technical aspects, as well as the feedback received were conveyed to the relevant parties. The two main reporting templates within the scope of reporting on corporate governance regulations have been finalized in line with the evaluation of this feedback and approved by the CMB on January 10, 2019 during its meeting numbered 2/49 and announced to the public in the CMB Bulletin no. 2019/2 on January 10, 2019.

24. Among the two basic report templates developed within this project, the CRF aims to report on the companies' compliance with the non-mandatory corporate governance principles, whereas the CGIF aims to provide information about current corporate governance practices. While the templates show the corporate governance practices status during a certain period of time (at the end of the year), they also allow comparisons to be made among companies and in different years. In addition to the CRF and CGIF, the narrative governance section still remains a required section of the annual reports, which contains a compliance statement that clearly states, which mandatory and non-mandatory principles are not being followed.
25. Furthermore, during the Board Meeting numbered 2/49 on January 10, 2019 the following decisions were made:
 - ▶ Compliance reporting on corporate governance should be made annually using the relevant templates through the PDP within the announcement deadline of the financial reports and in any case at least three weeks before the date of the general assembly meeting. Whether to include the aforementioned templates in the annual reports is left at the discretion of the companies, but in the event that they are not included in the annual reports, the PDP links of the CRF and CGIF should be clearly mentioned in the statement to be made in the annual reports according to the Article 8 titled 'Corporate Governance Principles Compliance Reports' of the Communiqué on Corporate Governance numbered II-17.1. Also, the CRF and CGIF should be explicitly mentioned in the board resolution regarding the approval of the financial statements and annual reports, and the subsequent statement according to the Article 10 titled 'Deadlines for Announcement of Annual Financial Reports' of the Communiqué numbered II-14.1 regarding Principles on Financial Reporting in the Capital Market.
 - ▶ In addition to disclosing the information through these templates on an annual basis, in case there is a change in the compliance status with respect to the non-mandatory principles (transition from compliance to non-compliance status, or vice versa, in the CRF) between the two disclosure dates on the announcement of the annual reports (interim period), and when there is a change in relation to the material information in the CGIF, the aforementioned changes should be disclosed on the PDP through updating templates, in accordance with the CMB regulations on material events, and these changes should also be mentioned in the interim activity reports.
 - ▶ The companies shall be notified that no update can be made within the time frame between the end of the accounting period and the date, on which the templates are to be filled and disclosed.
26. In this context, a training seminar was held for the company managers, whose shares are traded on BIST and other capital market stakeholders for introducing and on implementing the Corporate Governance Compliance Reporting Framework. The training took place on the Borsa Istanbul Campus in Istanbul on February 8, 2019. Furthermore, the CMB experts have been provided with an in-service training as part of the project.
27. A Corporate Governance Reporting Manual has also been prepared to provide guidance in relation to the implementation of the new reporting method, which is available at <https://www.spk.gov.tr/Sayfa/Index/12/0/18>.

28. The Manual aims to assist companies in providing complete, reliable and understandable information regarding their implementation of Corporate Governance Principles, disclosing their compliance status and explaining the reasons for non-compliance.

B. Other Activities in Relation to Corporate Governance

29. Following the entry into force of the new Reporting Framework, the Capital Markets Licensing Registry and Training Agency provided training on this topic as part of its Refresher Training Series. Further to this, approximately 150 investor applications/complaints regarding the implementation of the Communiqué and Corporate Governance Principles have been answered. In 2019, approximately 60 applications regarding the appointment of independent board members were decided upon by the CMB.
30. As part of the Action Plan of the Coordination Board for Improvement of the Investment Environment (YOİKK), under the auspices of the Presidency of the Turkish Republic, where Borsa İstanbul A.Ş. has been designated as the responsible institution, the 'Sustainability Principles Compliance Framework for Companies' was prepared together with the relevant institutions and stakeholders, in order to support the action plan of 'Encouraging our companies to take a larger share from the global sustainable investment flows', which is within the Tax, Financing and Incentives Working Group's responsibility. Legislative work is still in progress regarding the implementation and reporting of the environmental and social risk management related principles in the context of corporate governance on a 'Comply or Explain' basis.

C. Key Issues Observed in 2019

31. The new reporting framework aims to present corporate governance practices in a standard manner, to identify these practices in a comparable and easy-to-understand way, and to inform all stakeholders about corporate governance approach. The new framework allowed increased visibility in terms of the principles, which are less implemented and/or not implemented at all, which are not fully understood, or which are not fit for purpose, whether sufficient explanations on corporate governance practices have been provided or whether incorrect information has been submitted. Especially in this first year of implementation, it is noticed that companies made incorrect coding and provided insufficient explanations in the new reporting formats, the details of which are explained in this Report. The CMB carries on observing these practices and is providing guidance to companies to submit fit for purpose corporate governance reports, and if such problems persist, various sanctions may be considered.
32. On the other hand, it was observed that the level of compliance with the non-mandatory principles in the category of 'Board of Directors' (72.8% for BIST 100 and 74.5% for BIST 30) is lower than the level of compliance with non-mandatory principles in other categories. The implementation of corporate governance principles in chime with the unique management approach of each company is a quintessential condition to the compliance with these principles, which mainly rests with the board of directors. For this reason, it is aimed to make the corporate governance functional in companies through the principles on the qualifications and independence criteria for the board members, defining their duties, authorities and responsibilities; determining the election process and the terms of reference of the board and committees; and establishing a board

performance management system. The reports submitted by the companies reveal that they need to be more effective in terms of their boards of directors. Based on the importance of the matter, the non-mandatory principles that are considered to be of priority in terms of corporate governance and that are expected to contribute to the sustainable development of the corporate structures of listed companies, particularly the non-mandatory principles in the 'Board of Directors' category, could be rendered mandatory and/or, if deemed necessary, certain principles could be rephrased as part of the CMB's ongoing work on corporate governance in the upcoming period.

IV. Implementation of Principles

33. Pursuant to the Article 17 of the Capital Market Law no. 6362, the CMB is in charge of the monitoring and supervising the effective implementation of the Principles. In order to assess to what extent, the companies comply with the Principles, the CMB has developed two sets of reports – the CRF and the CGIF – which BIST companies are required to fill out and submit on the PDP pursuant to the CMB decision no. 2/49, dated January 10, 2019.
34. The filing mechanism expects the companies to fill out the CRF and CGIF on the PDP within the deadline for the submission of annual financial statements and in any case at least three weeks before the Annual General Meeting (“AGM”).
35. The 2019 Monitoring Report (the “**Report**”) represents the CMB’s first comprehensive report on corporate governance practices. The rationale behind issuing this report is that active monitoring of corporate governance practices is widely considered to be a crucial element for an effective implementation mechanism.

A. Methodology

36. The CRF consists of questions related exclusively to the non-mandatory principles and is divided into four categories. These follow the structure of the CMB Principles of Corporate Governance: ‘Shareholders’, ‘Public Disclosure and Transparency’, ‘Stakeholders’, and ‘Board of Directors’. The breakdown of 68 data points upon which compliance is measured is presented in Table 3 below. Companies are expected to answer each Principle with either a ‘Yes’, ‘No’, ‘Partial’, ‘Not Applicable’ or ‘Exempted’. In case of (full or partial) non-compliance with any of the relevant principle, an explanation is required. Partial compliance is an option available for use, when (i) the company does not fully comply with a practice prescribed in the Principle or (ii) when it complies only with a few but not all the practices formulated in a specific Principle.

Table 3. Breakdown of Data Points in CRF

Category	Data Points
Shareholders	17
Public Disclosures and Transparency	5
Stakeholders	21
Board of Directors	25
Total	68

37. The CGIF is designed to complement the CRF and includes questions both on the mandatory and non-mandatory principles. The questions in the CGIF are open-ended and the responses are meant to provide specific insights into current practices. In order to refrain from the distorting effect of outliers, the median value was used as an average calculation method for factual company data collected in the CGIF.

38. The companies traded on the BIST 100 and BIST 30⁷ indices were identified as the sample group (the “**Group**”) for this year’s Report and therefore only they make up the analysis of this year’s implementation. In addition, the analysis includes a Next 70⁸ sub-group that is used as a comparison to the BIST 100 and BIST 30 companies. In this report, when the findings of BIST 100 and BIST 30 do not significantly differ from each other, only the data for BIST 100 is provided. Accordingly, when the sub-sample group is not stated when a data is presented, the relevant information relates to BIST 100.
39. Data analysis in this research is conducted based on the companies’ own reporting as to their compliance status. The basis for the study is companies’ own answers and descriptions of how they comply with the mandatory and non-mandatory principles of the Communiqué as well as their own explanations in case of non-compliance. The reliability of data has been controlled through numerous cross-check points between the CRF and CGIF. Also, a number of red-flag issues have been determined, which trigger a deeper review of the information provided by companies. However, percentages are calculated based on company filings unless a clear issue of reliability or incorrect information is identified as a result of the cross-check and red-flag analysis.
40. During our analysis of explanations, we encountered a large number of miscoding⁹ issues related to the compliance status, which contradicted with the explanations provided by the companies. For example, a significant number of companies reported a ‘Partial’ compliance status on various practices, despite their explanations clearly indicating instances of non-compliance.¹⁰
41. The following adjustments were made in calculations pursuant to our cross-check and red-flag review:
- 41.1. Compliance responses of ‘not applicable’ or ‘exempt’ were not taken into account when calculating the level of compliance to principles, where these options cannot be the case. For example, Principle 4.4.7¹¹ shall apply to all companies which are subject to the Principles and if a company chose ‘not applicable’, the answer is classified as non-compliance, when calculating the average compliance rate.

⁷ Given that the BIST Index is reviewed 4 times a year, the companies used in our sample reflect those that formed the Index between the first trading day of June 2019 and the last trading day of August 2019. Please see Appendix A for the BIST30 and Appendix B for the BIST100 companies used. Because their accounting period ranges between 1 July and 30 June, three companies listed on the BIST100 between the above dates did not answer the survey and are thus not included in the analysis (Fenerbahce Futbol AS, Besiktas Futbol Yatirimlari Sanayi ve Ticaret AS and Galatasaray Sportif AS).

⁸ The ‘Next 70’ group refers to the companies that are part of our BIST100 sample, but not the BIST30 sample (see Appendix C for the list).

⁹ Miscoding here relates to a respondent that provides a compliance status that contradicts the explanation provided or that can’t occur given the question (a binary yes/no question answered by a partial compliance status) or the status of the respondent (benefitting from exemptions or not).

¹⁰ Please see the miscoding analysis presented in Section III. B. (iii) for a complete review of miscoding cases.

¹¹ The relevant CRF item: There are limits to external commitments of board members. Shareholders are informed of board members’ external commitments at the General Shareholders’ Meeting.

- 41.2. On the other hand, Principle 1.4.3¹² only applies to companies who have cross-shareholding and the average compliance rate was calculated for those companies only.
- 41.3. Positive compliance responses to Principle 1.5.2¹³ and Principle 4.6.5¹⁴ – two examples with which no company has historically complied yet– were further analysed by reviewing supporting documents (articles of associations, annual reports and AGM minutes) and recorded as miscoding.
42. Except for the three cases mentioned above, company disclosures were taken into account in the event of miscoding, and the average calculations were not adjusted during the data analysis process. The cross-check points and red flags defined in CRF and CGIF will continue to be followed up effectively. It is expected that miscoding instances will also be reduced in the upcoming reporting periods with the contribution of the examples and explanations in this Report.

B. Reporting Compliance

i. Overall Compliance Rate

43. The CRF data from Table 4 below shows that overall the BIST 100 companies report a compliance rate over 80%. The BIST 30 has an 82.5% average compliance rate, while the NEXT 70 has a slightly lower rate of 79.2%. The full non-compliance rate is disclosed at 7.9%. Given the ‘comply-or-explain’ nature of the Communiqué, the aim of an effective corporate governance framework is not to ensure that every company complies with all items in the Principles, but transparently provides a sufficient explanation in case of non-compliance.

Table 4. Overall Compliance Rates

Level of Compliance	Percentage (%)		
	BIST 100	BIST 30	Next 70
Compliance	80.3	82.5	79,2
Non-Compliance	7.9	8.0	7.9
Partial Compliance	9.5	7.5	10.4

44. The ‘Partial Compliance’ option gives a good indicator of the potential each company has to change their status to compliance. For the BIST 100, ‘Partial Compliance’ amounts to 9.5%, which, if transformed to compliance in the future, would raise the overall compliance level approximately to 90%. Similarly, the BIST 30 has a ‘Partial Compliance’ rate of 7.5%, which again could see overall compliance rise to 90% if all the requirements in these principles are addressed.

¹² The relevant CRF item: The company withholds from exercising its voting rights at the General Shareholders’ Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.

¹³ The relevant CRF item: The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares and expand the scope of the minority rights.

¹⁴ The relevant CRF item: The individual remuneration of board members and executives is disclosed in the annual report.

45. As Table 5 shows, the ‘Board of Directors’ category has the lowest average compliance rate. This is the case for both the BIST 100 (72.8%) and the BIST 30 (74.5%). It is also this section of the Principles, where the highest rate of non-compliance is observed. By contrast, the highest compliance rates for the BIST 100 and the BIST 30 was found in the section on ‘Public Disclosures and Transparency’ (84.1% and 89.7%, respectively).

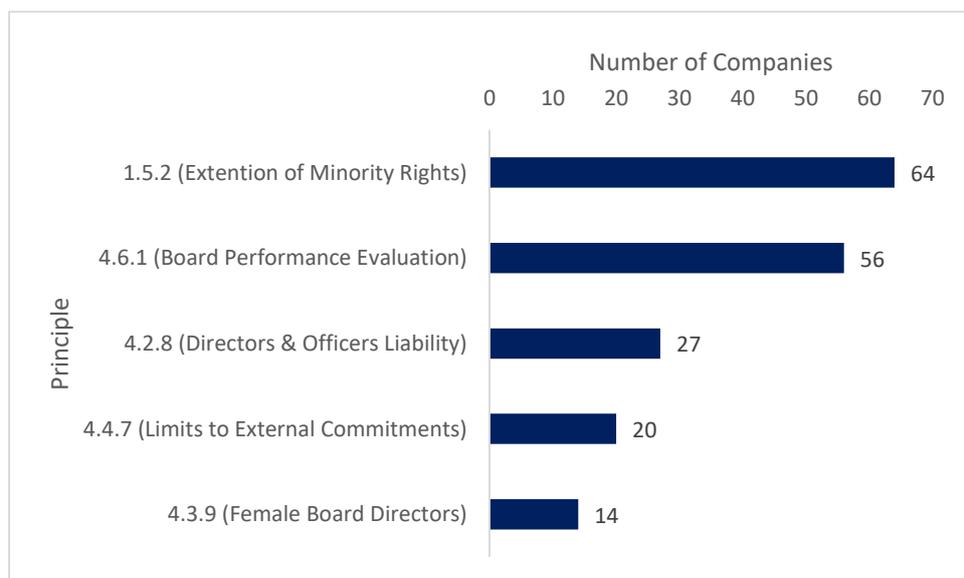
Table 5. Compliance Levels per Category

Level of Compliance:	Compliance		Non-Compliance			
Category	Rate of Full Compliance (%)		Rate of Full Non-Compliance (%)		Rate of Partial Compliance (%)	
	BIST 100	BIST 30	BIST 100	BIST 30	BIST 100	BIST 30
Shareholders	84.8	82.5	4.2	5.5	8.6	8.0
Public Disclosures and Transparency	86.6	92.0	9.3	6.0	2.7	0.7
Stakeholders	84.1	89.7	7.8	6.0	4.1	2.4
Board of Directors	72.8	74.5	10.3	11.7	16.1	12.9

ii. Incorrect Reporting of Compliance

46. The analysis of responses indicates that some companies seem reluctant to express a non-compliance status. In total, the identified instances of incorrect categorisation of compliance status, (i.e. miscoding) were 385 out of 6596 responses (5.8%)¹⁵. They were identified through inconsistencies between the compliance status and its explanation. In 256 of these instances, the explanation confirmed that the compliance status should be non-compliance instead of the reported ‘Partial Compliance’. Figure 2 below illustrates the top five principles which were miscoded:

Figure 2. Top 5 Miscoded Principles: ‘Partial’ Instead of ‘No’.



¹⁵ 68 CRF items and 97 companies in our sample reveal a total number of 6,596 compliance requirements.

47. As presented in Figure 2 above, 64 companies out of 97 (66%) report that they partially comply with Principle 1.5.2¹⁶, despite the explanations clearly stating that their Articles of Association do not extend the use of minority rights to those who own less than one twentieth of the outstanding shares, or expands the scope of the minority rights. Similarly, 56 companies report 'Partial Compliance' with respect to Principle 4.6.1¹⁷, while the explanation said that a board performance evaluation was not conducted.
48. Another commonly observed miscoding is the use of 'Partial' instead of not applicable. While partial compliance applies to cases where the company complies with the Principle to a certain degree or with respect to certain elements, not applicable can be used by companies for specific principles, to which compliance is contingent upon the existence of an underlying condition. For example, 10 companies report 'Partial' to Principle 4.5.7¹⁸, even though the explanation confirms that the committees received no such consultancy services during the reporting period.
49. Furthermore, 21 companies report 'No' with respect to Principle 4.2.8¹⁹. Their explanations were a typical example of 'Partial', given that all 21 companies do actually have a directors & officers policy, but its coverage is below the rate recommended in the Principle.

C. Explanations on Compliance Status

50. Companies have to provide an explanation in case of non-compliance (including partial compliance) with a non-mandatory Principle. The quality of explanations in cases of non-compliance is a fundamental element for the effectiveness of the 'comply-or-explain' approach. With the introduction of the new Framework, the CMB released a Manual that includes guidelines on what constitutes a good explanation.

i. Criteria for a Sufficient Explanation

51. According to these guidelines, an explanation should (i) State clearly which element of the Principles the explanation refers to; (ii) Briefly set the company specific context and historical background for the deviation; (iii) Provide a convincing and understandable rationale for the choices made; (iv) Describe mitigating actions to address any additional risk and to maintain conformity with the relevant principle; and (v) Indicate whether the exception is limited in time and whether the company intends to achieve compliance in the future.
52. Due to the structure of the CRF template where the number of each Principle is listed, the explanation does not need to address the criterion number 1 (see above) for the majority of the principles. Therefore, this feature was only sought for principles, which contain more than one governance element.

¹⁶ The relevant CRF item: The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares and expand the scope of the minority rights.

¹⁷ The relevant CRF item: The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.

¹⁸ The relevant CRF item: If external consultancy services are used, the independence of the provider is stated in the annual report.

¹⁹ The relevant CRF item: The company has subscribed to a Directors & Officers liability insurance covering more than 25% of the capital.

ii. Invalid Explanations

53. We classified the information provided in the explanation area as ‘Valid’ or ‘Invalid’. When a company repeated its compliance status in text form or summarized its current practice that was not in line with the principle instead of providing an explanation at the standards stated above, we rated the statements as ‘Invalid’ since they do not constitute an explanation per se. The information provided for non-compliance with Principles 4.4.7²⁰ and 4.5.5²¹ are provided below as examples for invalid explanations:

“The company has no policy to limit the external commitments of board members.”

“Due to the structure of the board, members are appointed to multiple committees.”

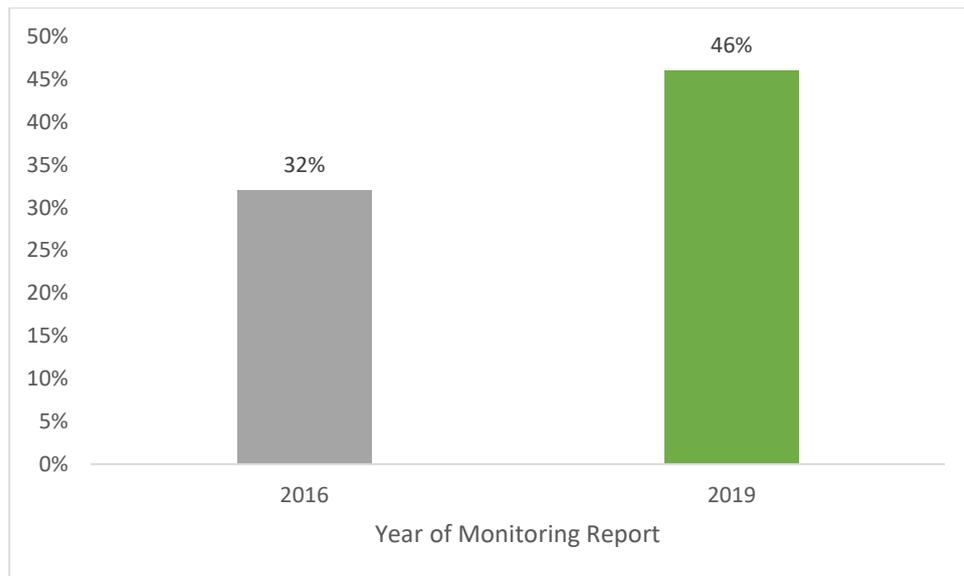
54. In these examples the companies merely repeat their non-compliance status without providing an explanation. While all companies in the sample, who have declared their compliance status as ‘No’ or ‘Partial’ in their 2018 reporting, entered some sort of information in the explanation field, a significant portion of this data entry (54% of all instances) did not constitute a ‘Valid’ explanation. However, we also noted that the new Corporate Governance Reporting Framework has brought about a considerable improvement compared to the explanations provided under the former reporting framework.²²
55. While an analysis of 2015 compliance reports showed that companies had provided an explanation for only 32% of all non-compliance instances under the former framework, this Report has 46% non-compliance cases with an explanation (see Figure 3). Although all companies provide some sort of text in every instance of non-compliance, 54% of them were regarded as being ‘Invalid’ in our analysis.

Figure 3. Percentage of Instances of Non-Compliance with a Valid Explanation

²⁰ The relevant CRF item: There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.

²¹ The relevant CRF item: Board members serve in only one of the Board's committees.

²² A first report on governance practices was published in June 2016 based on 2015 Corporate Governance Compliance Reports in the context of the ‘CMB EBRD New Corporate Governance Reporting Framework’ project. The sample used in this first report consisted of 70 companies, made up of all 29 companies in Group 1, 21 companies in Group 2 and 20 of the companies from Group 3.



56. It was also interesting to note that a total of 29 instances from 10 companies (4% of all 'Invalid' explanations), provide an explanation that reads: *"Compliance with this Principle is not mandatory"*, despite the fact that the explanation is required specifically for the non-mandatory principles. This is interpreted as a reflection of the lack of internalization of corporate governance reporting culture among the Investor Relations Departments, which shall gradually improve over time through providing feedback on the outcome of monitoring.

iii. Quality of Valid Explanations (Sufficiency)

57. 'Valid' explanations were further reviewed to identify whether they were 'Sufficient' or not, according to the extent to which they met the five criteria. We identified that among the 'Valid' explanations, there are only a few explanations that satisfy more than one criterion. In fact, only one explanation satisfies all criteria, hence being classified as 'Sufficient'. The breakdown of the information provided in the explanation field and their ratio to total number of Non-Compliance and Partial Compliance is provided in Table 6.

Table 6. Breakdown of Information Provided in the Explanation Field

Information in the Explanation Filed	Frequency	Percentage	Percentage
Total number of information	1554	-	
Explanation not required	256	-	
Total Non-Compliance and Partial Compliance instances	1298	100	
Invalid explanation	701	54	
Valid explanation	597	46	100
Historical context/Background	67	5	11
Mitigating action	236	18	40
Rationale	204	16	34
Forward-looking statement	90	7	15

58. One of the key takeaways from the Report is the need to have a closer focus on the explanations provided by companies in the upcoming reporting periods as the quality is fairly low. It is worth to emphasize that the compliance reports subject the analysis were the first-ever disclosures pursuant to the new Framework and this Monitoring Report shall provide the issuers guidance in relation to the expected standards. The companies are also encouraged to refer to the Manual²³ to improve their reporting practices, in addition to the examples in this Report.
59. The following explanation for not complying with Principle 1.3.10²⁴, illustrates the typical nature of the vast majority of explanations we observed:

“Donations are included as a separate agenda item but due to the extensive number of donations, they are presented as an overall figure.”

What the company did in this instance was to present the part of the Principle they don't comply with (i.e. the breakdown of donations) and the rationale for deviation (i.e. the extensive number of donations) but failed to mention any mitigating action (e.g. posting the full list at the company website) or if there was a plan to change the current practice in the future. Hence, it was considered as a 'Valid' but 'Insufficient' explanation.

60. Another example for a 'Valid' but 'Insufficient' explanation is the following disclosure made in relation to non-compliance with Principle 4.2.5.²⁵ The explanation stated:

“Chairman and CEO split is not defined in the articles of association. Combining these two roles was preferred in order to provide a more dynamic organization structure and enable a quicker and more efficient decision-making process.”

In this example, the company only provided the rationale for their decision. What could have been added to this answer for a sufficient explanation would be information on the following:

- Historical background/context: Since when has the Chairman been acting as the CEO? Was there a CEO before, and if yes, then why was it not possible to find a suitable replacement after he left?
- Mitigating action: What measures did the company take to mitigate the risks a combined CEO-Chairman might bring?
- Forward-looking statement: Does the company considers appointing a CEO in the future?

²³ Please visit <https://spk.gov.tr/Sayfa/Dosya/1297> to reach the Manual.

²⁴ The relevant CRF item: The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.

²⁵ The relevant CRF item: The roles of the Chairman and Chief Executive Officer are separated and defined.

iv. 'Insufficient' and 'Valid' Explanations: The Current Typical Practices

61. Some examples are provided below with respect to explanations different issuers provided for the same Principle, which should serve as a guidance on how to improve the quality:

Explanations with Background / Context

- 61.1. Principle 4.3.9 – The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.

Invalid Explanation:

“Because it is not mandatory, target ratio was not defined. The board planning is made for three years.”

Valid but Insufficient Explanation:

“While in the past more than one female director was elected to the board, currently there is no woman director. Corporate Governance Committee has advised the board to include female directors in the next periods. The company aims to design the nomination process in a way to favour women in the next election period.”

Background/ Context	Rationale	Mitigating Action	Forward-Looking Statement
X			X

Explanations with Rationale

- 61.2. Principle 4.2.3 – The board has ensured that the company has an internal control framework adequate for its activities, size and complexity.

Invalid Explanation:

“No conflict of interest was recorded because of not complying with this non-mandatory principle.”

Valid but Insufficient Explanation:

“Considering the headcount, functions of our company and the fact that it is a subsidiary of holding company with an internal control unit, we don’t find it appropriate due to costs to establish another internal control unit at the company level.”

Background/ Context	Rationale	Mitigating Action	Forward-Looking Statement
X	X		

61.3. Principle 4.5.5 – Board members serve in only one of the Board’s committees.

Invalid Explanation:

“Due to the structure of our board of directors, board members take role in more than one committee.”

Valid but Insufficient Explanation:

“Committee appointments are made based on the knowledge and experience of our board members by taking into account the relevant regulations. We have only one board member serving in two committees. This board member helps improving the communication between those committees and increase the opportunity for cooperation.”

Background/ Context	Rationale	Mitigating Action	Forward-Looking Statement
X	X		

Explanations with Mitigating Action

61.4. Principle 4.4.2 – The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.

Insufficient Explanation:

“A minimum time was not defined but the documents are sent before the meeting.”

Valid Explanation:

“Board meetings are held as per the Articles of Association and Terms of Reference for the Board but a minimum time for circulation of the supporting documents is not defined. The company has established a Reporting Unit, which is in charge of preparing and submitting relevant documents to the board of directors. In principle, the unit makes the best effort to send out all documents to all board members at least one week before the meeting date. We will include this practice into our Board Terms of Reference in written form when we start our review for revision of this document.”

Background/ Context	Rationale	Mitigating Action	Forward-Looking Statement
X		X	X

Explanations with Forward-Looking Statement

61.5. Principle 4.2.8 – The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.

Insufficient Explanation:

“We do not have a D&O liability insurance policy.”

Valid but Insufficient Explanation:

“The company has purchased a directors and officers liability insurance to cover potential damages which can be caused by board members. The policy also includes board members and executives which are appointed at our subsidiaries. However, the policy amount (1 million Euro) is less than 25% of equity, given the high equity capital of our company. The policy amount is planned to be reviewed in the next period.”

Background/ Context	Rationale	Mitigating Action	Forward-Looking Statement
X	X		X

61.6. Principle 2.1.4 – The company website is prepared in other selected foreign languages, in a way to present the same information with the Turkish content.

Insufficient Explanation:

“The website has no English content.”

Valid but Insufficient Explanation:

“A vast majority of the Turkish content is also available in English, while some documents are only available in Turkish. Starting from the next year, we will pay attention to present in the English website exactly the same content with the Turkish one.”

Background/ Context	Rationale	Mitigating Action	Forward-Looking Statement
X			X

Sufficient Explanation

61.7. Principle 4.4.7 – There are limits to external commitments of board members. Shareholders are informed of board members’ external commitments at the General Shareholders’ Meeting.

Insufficient Explanation:

“Board members’ external commitments are not limited by a policy.”

Valid and Sufficient Explanation:

“External commitments of our board members are not limited but before undertaking new roles, which may affect their responsibilities or cause a conflict, board members have to bring up the matters first to the board. We believe this practice has no adverse impact in terms of corporate governance and we are not planning to change this practice in 2019.”

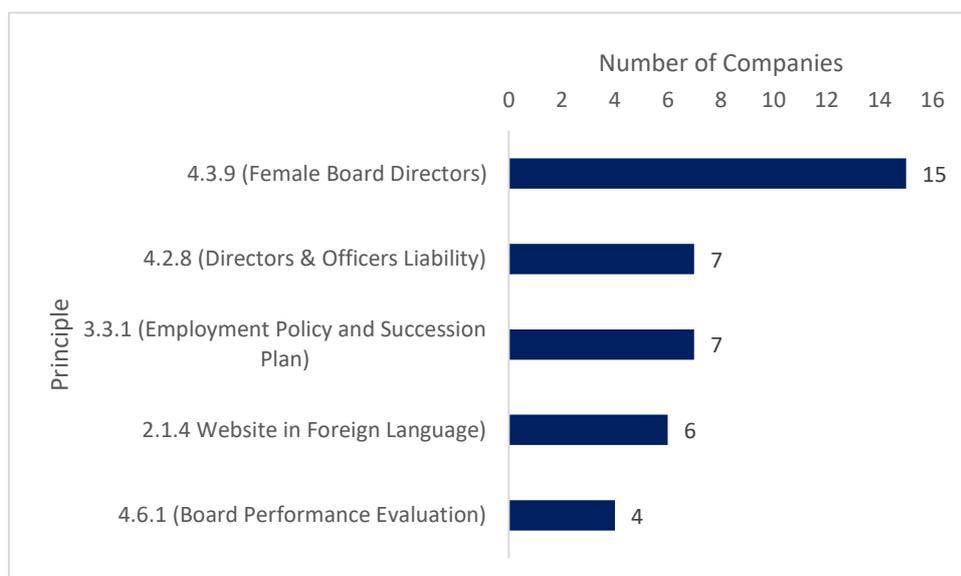
Background/ Context	Rationale	Mitigating Action	Forward-Looking Statement
X	X	X	X

v. Forward-Looking Statements

62. Another feature analysed in the explanations is whether companies provide a forward-looking statement with respect to their plans to comply with a principle in the future. Overall, 90 instances from 40 companies (15% of all ‘Valid’ explanations) were recorded as having such an explanation. Providing such a statement fulfils only one of the criteria of what constitutes a ‘Sufficient’ answer and gives insight on whether the exception is limited in time. In 61 of these instances (68% of forward-looking statements), the companies disclosed ‘work in progress’ in terms of complying with the principle. In the 29 remaining instances (32% of forward-looking statements), companies declared that they have no plan to change their practice in the future.

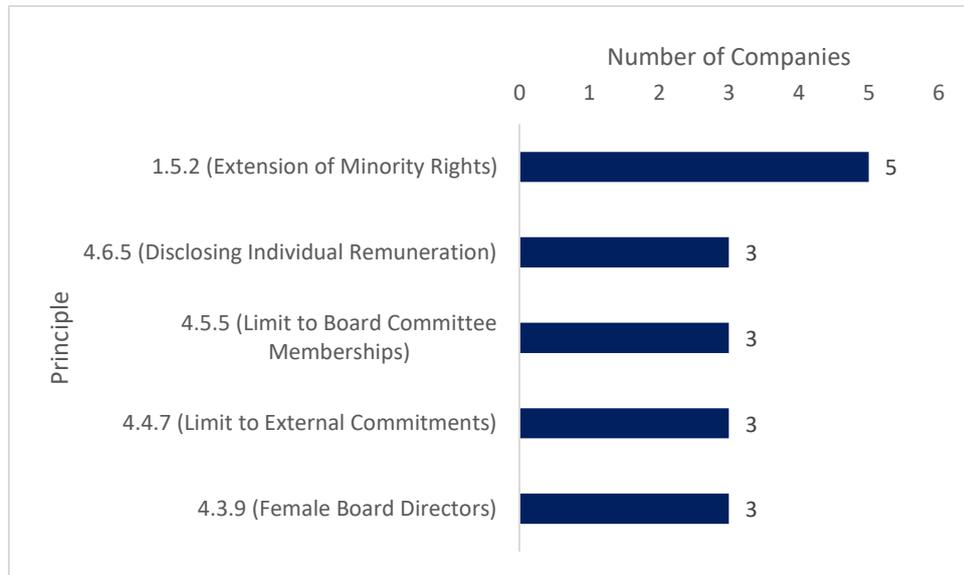
Figure 4 shows the five principles issuers disclose they plan on complying with in the future.

Figure 4. Top 5 Principles That Companies Plan to Comply With in the Future



63. On the other hand, Figure 5 depicts the top five principles, among the forward-looking statements disclosed, that companies do not plan to comply with in the future.

Figure 5. Top 5 Principles That Companies Do Not Plan to Comply with in the Future



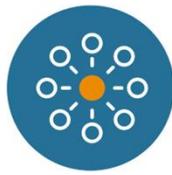
D. Governance practices

64. The following part aims to give a more detailed view on various practices within each category of the Principles, showing not only compliance levels based on the CRF questionnaire, but linking it to the responses in the CGIF, which are intended to mirror companies' current practices.

i. Shareholders

65. The AGM is the principal forum in which directors are accountable to shareholders for their stewardship of the company. It is also the occasion for shareholders to ask questions and above all, to vote. Hence high shareholder attendance at AGMs is important from a governance perspective. Both BIST 100 and BIST 30 companies have over three-quarters of shareholders attend their AGMs. However, only 54% of these AGMs were held with the participation of the media and stakeholders. Privileged voting shares are found in a quarter of BIST 100 companies, while minority shareholders remain limited to the level set by the law. Lastly, all BIST 100 companies have a dividend policy in place and reasons for not distributing dividends are usually provided.

Annual General Meetings



Attendance



Shareholder Rights



No privileged shares



No limit to share transfer



0% *Expand the scope of minority rights*

Dividends



Explain the reason for withholding dividends and alternative use of funds

100% *Dividend policy available on the web*



66. Table 7 and Table 8 below show the five principles with highest and lowest compliance rates in the 'Shareholders' category, respectively.

Table 7. Shareholders: Five Principles with the Highest Compliance Rate

No.	Principle	BIST 100 (%)	BIST 30 (%)	Next 70 (%)
1.1.2	Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	100	100	100
1.4.1	There is no restriction preventing shareholders from exercising their shareholder rights.	100	100	100
1.6.1	The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	100	100	100
1.6.4	The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the X company.	100	100	100
1.6.2	The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	99	100	98

Table 8. Shareholders: Five Principles with the Lowest Compliance Rate

No.	Principle	BIST100 (%)	BIST30 (%)	Next70 (%)
1.5.2	The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares and expand the scope of the minority rights.	0*	0*	0*
1.3.11	The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	54	52	52
1.3.10	The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	67	60	70
1.4.2	The company does not have shares that carry privileged voting rights.	75	73	76
1.2.1	Management did not enter into any transaction that would complicate the conduct of special audit.	86	87	85

*As a result of our analysis of CRF responses, it is noted that 3% of the companies disclosed compliance, although the supporting documents indicate that they actually do not comply with this principle.

67. **AGMs (Principle 1.3):** CGIF data revealed that the attendance at the AGMs is highest among the BIST 30, with a median value of 81% versus 77% for the BIST 100 (see Figure 6). In addition, the percentage of shares directly present in the AGM is reported as 10% and 3% by BIST 100 and BIST 30 companies, respectively (see Figure 7).

Figure 6. Shareholder Attendance at the AGM

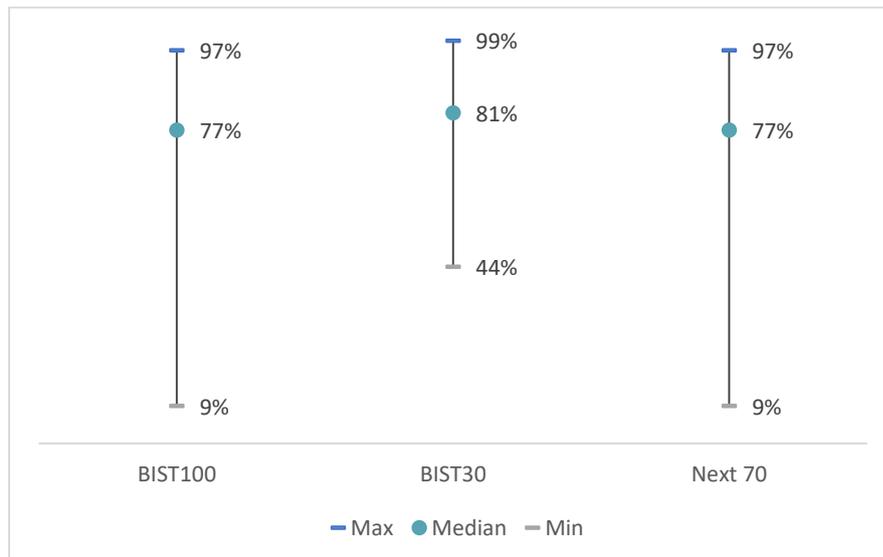
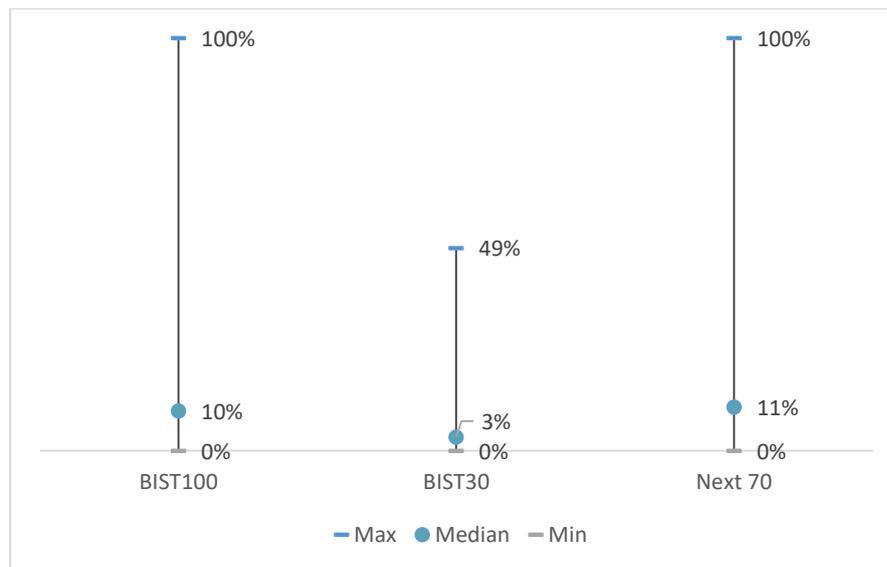


Figure 7. Percentage of Shares Directly Present at the AGM



68. Pursuant to compliance responses to Principle 1.3.11²⁶, 54% of BIST 100 (46.7% in BIST 30) have held their AGMs with the participation of stakeholders and the media. While Principle 1.3.10 expects the list of beneficiaries of donations and contributions to be presented at the AGM, 30% of BIST 100 companies provided an overall figure instead of a breakdown list. The common explanation given is that the extensive number of beneficiaries does not make it practical to present a complete list. No issuer mentions a mitigating action in their explanations.
69. **Voting Rights (Principle 1.4):** The rate of BIST 100 companies who reported that they have no privileged shares is 75%, as 25% of BIST 100 companies reported non-compliance with Principle 1.4.2.²⁷
70. **Minority Rights (Principle 1.5):** Minority rights is one of the two principles with a 0% average compliance rate. No company to date has amended its Articles of Association to be in line with Principle 1.5.2²⁸.
71. **Right to Dividend (Principle 1.6):** Every reviewed BIST 100 issuer discloses its dividend policy on its company website, while 94% of them explain the reason for not distributing dividends and the alternative use of funds. Setting a dividend policy is emphasized as an international best practice, since it is fundamental both for the return expectations of the investors and for the investment and financial planning of the company. International best practices suggest that the dividend policy should state the percentage of net profits allocated to dividend payments, the terms and conditions required for this payment, and the circumstances when dividends might not be declared, or when they might be partially declared for preferred shares (if any) only. The top three reasons provided by companies for withholding the dividends are as follows: Developing extra-

²⁶ The relevant CRF item: The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.

²⁷ The relevant CRF item: The company does not have shares that carry privileged voting rights.

²⁸ The relevant CRF item: The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares and expand the scope of the minority rights.

ordinary reserves (19%); Covering previous years' losses (16%); and Setting aside for investment activities (6%).

Figure 8. Explanations on the Use of Profits (%)



72. **Transfer of Shares (Principle 1.7):** Few BIST 100 companies (13%) report not having provisions limiting the transfer of shares and about one in four (27%) of the BIST 30 report that they do have practices which intervene with the free transfer of shares.
73. Principle 1.3.10²⁹ and Principle 1.3.11³⁰ have the lowest compliance levels in the 'Shareholders' category. International best practices recommend the companies to have a clear policy regarding donations and contributions and to disclose any information regarding the amounts and beneficiaries.
74. Companies that failed to fully comply with Principle 1.3.10 often claim in their explanations that the list of their beneficiaries is too long. Some companies prefer to provide an overall figure instead of a breakdown as the following explanation shows:

"Donations are included as a separate agenda item but due to the high number of beneficiaries, they are presented as an overall figure."

In the example above, the company clarifies with which part of the principle they do not comply with (i.e. the breakdown of donations), their rationale for deviating (i.e. the high number of beneficiaries) but fail to mention any mitigating action (e.g., posting the full list at the company website) and did not explain if they plan to change the current practice in the future.

²⁹ The relevant CRF item: The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.

³⁰ The relevant CRF item: The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.

75. Compliance with Principle 1.3.11 is also rare in the Group, reaching only 54% for the BIST 100 and 47% for the BIST 30, despite international best practices calling for companies to conduct their AGMs open to the public, including stakeholders and the media.

Persons with Access to Company Information in a Privileged Way (Insider Transactions)

76. Another practice noted in this category worth analysing is compliance with the Principle 1.3.7.³¹ We should remind that the transactions by controlling shareholders, board members, managers with administrative liability and their spouses, relatives by blood or marriage up to the second degree are regulated in Principle 1.3.6, which is not a part of the CRF, because it is a mandatory Principle. Principle 1.3.7, on the other hand, is related to other persons who might have privileged access to the company's information. 76% of the Group responded that this principle is not applicable to them indicating that a vast majority has received no application in that respect. In addition to the not applicable status, 7% of the Group reported non-compliance and 15% reported compliance.

ii. Public Disclosure and Transparency

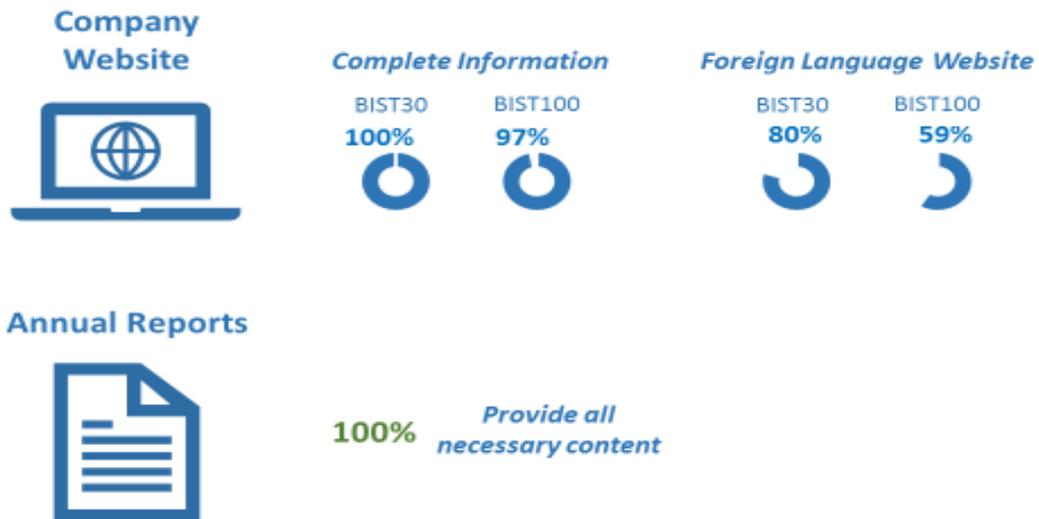
77. Transparency is a pillar of good governance as it alleviates information asymmetries that would otherwise impair the efficiency of governance mechanisms. It also provides the basis for informed decision-making by shareholders, stakeholders and potential investors in relation to capital allocation, corporate transactions and financial performance monitoring. Weak transparency goes hand-in-hand with weak accountability.
78. This is why the second section of the Principles focuses on topics related to public disclosure and transparency, looking particularly at information in companies' annual reports and their websites. The 'Public Disclosure and Transparency' category enjoys the highest compliance rate among all four categories with 86.6% for BIST 100 and 92.0% for BIST 30.
79. Overall, companies provide the expected information on their website and annual report. Table 9 shows the results from the CRF questionnaire for this section:

³¹ The relevant CRF item: Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.

Table 9. Compliance with 'Public Disclosure and Transparency' Principles

No.	Principle	BIST 100 (%)	BIST 30 (%)	Next 70 (%)
2.1.1	The company website includes all elements listed in Corporate Governance Principle 2.1.1.	97	100	96
2.1.2	The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	87	90	85
2.1.4	The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	59	80	49
2.2.1	The board of directors ensures that the annual report represents a true and complete view of the company's activities.	100	100	100
2.2.2	The annual report includes all elements listed in Corporate Governance Principle 2.2.2.*	91	90	91

*Few companies (9%) provide an explanation for their non-compliance with Principle 2.2.2 as not having specific information on an issue in their annual report that does not apply to them (e.g., cross-shareholding). Not providing information on an issue that does not apply to a company should not be considered as non-compliance.



Company Websites

80. One noteworthy point is Principle 2.1.4.³², which reaches the lowest compliance rate in the 'Public Disclosure and Transparency' category (59% for the BIST 100 and 80% for the BIST 30). This low compliance level is explained by the fact that most companies publish their websites in a foreign language but do not include the whole range of documents found on their original, Turkish website.

³² The relevant CRF item: The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.

Annual Reports

- 81. While not all companies report compliance with Principle 2.2.2³³, review of the explanations reveal that the non-complying issuers confirms that the missing information relates to requests not applicable to the company. For example, a company which has no cross-shareholding, is not expected to provide information in the annual report in this regard. Not providing information on an issue that does not apply to a company should not be considered as non-compliance. Hence, setting aside these exceptions, all companies report compliance with Principle 2.2.2.

iii. Stakeholders

- 82. Most people are affected by companies not as shareholders, but as consumers, employees, and members of the communities in which corporations operate. A company that succeeds over time will advance the interests of all its stakeholders, not just its shareholders.



- 83. Therefore, the Principles dedicates one section to stakeholders, with topics including HR policy, the company’s policy on stakeholders as well as ethical rules and social responsibility. As Tables 10 and 11 show, this section is the first one where more distinct differences in the principles appear.
- 84. One Principle which has recently come to the fore internationally is the need to put more weight on stakeholder interests (3.2.2). International best practice calls for companies to include direct interaction with its stakeholders, given that employee interests must be considered as part of ensuring strong corporate governance and promoting long-term value creation. Given this, the results obtained from the CRF revealed that there is significant room for improvement, since compliance reached only 55% in the BIST100 and 67% in the BIST30.

³³ The relevant CRF item: The annual report includes all elements listed in Corporate Governance Principle 2.2.2.

Table 10. Stakeholders: Principles with the Highest Compliance Rates

No.	Principle	BIST 100 (%)	BIST 30 (%)	Next 70 (%)
3.3.2	Recruitment criteria are documented.	100	100	100
3.1.1	The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	99	100	99
3.1.5	The company addresses conflicts of interest among stakeholders in a balanced manner.	99	100	99
3.3.9	A safe working environment for employees is maintained.	99	100	99
3.5.2	The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	98	100	97
3.3.7	Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	97	100	96
3.5.1	The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	94	97	93
3.1.4	A whistleblowing programme is in place for reporting legal and ethical issues.	93	97	91
3.4.4	The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	93	97	91

Table 11. Stakeholders: Principles with the Lowest Compliance Rates

No.	Principle	BIST 100 (%)	BIST 30 (%)	Next 70 (%)
3.2.1	The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	39	37	40
3.2.2	Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	55	67	49
3.3.5	Employees or their representatives were notified of decisions impacting them. The opinion of the related trade unions was also taken.	61	73	55
3.1.3	Policies or procedures addressing stakeholders' rights are published on the company's website.	71	87	64
3.3.8	The company ensures freedom of association and supports the right for collective bargaining.	71	90	63

85. The importance of whistleblowing policies is stressed on an international level, since they encourage employees and others who have concerns about any ethical aspect of

the company’s work to come forward and voice those concerns. In line with this, Principle 3.1.4 recommends that the companies establish required mechanisms for stakeholders to inform the corporate governance committee or audit committee on transactions, which are against relevant legislations or ethically inappropriate.

86. As per Table 10, both the BIST 100 and BIST 30 reach compliance levels of over 90% for Principle 3.1.4³⁴, with the BIST 30 demonstrating higher compliance rates than the BIST 100 with 97% vs. 93%. According to the CGIF data it is mostly the Chair of the Ethics Board (23%), Internal Audit Manager (23%) or the Chair of the Audit Committee (22%) who is responsible for the relevant mechanism. For both the BIST 100 and the BIST 30, the ‘None’ option comes up 5% and 10%, respectively.

Figure 9. Position in Charge of the Whistleblowing Mechanism

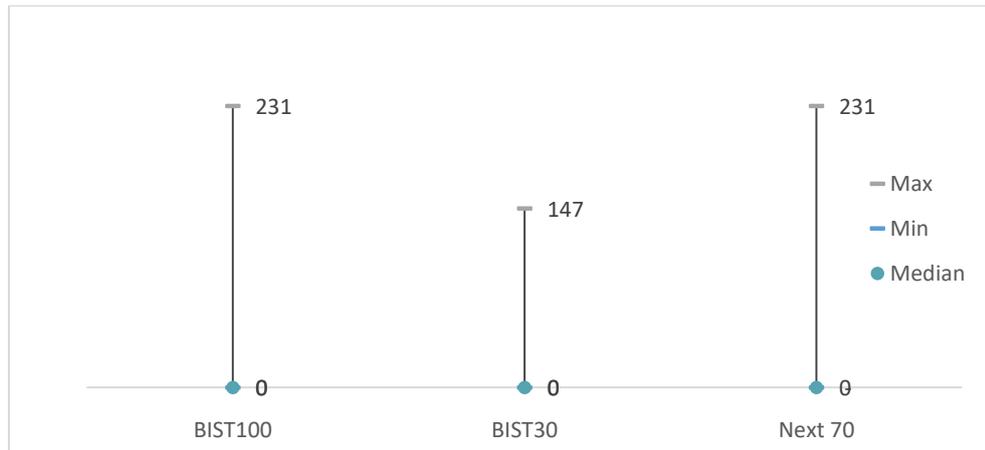


87. The analysis of CGIF data with respect to Principle 3.1.1³⁵ revealed contrasting findings with respect to some companies that reported compliance with this Principle. Indeed, Figure 10 below shows that there are numerous cases of final court order in relation to employee rights against the companies, which declared that they comply with Principle 3.1.1. However, while the mean value for the number of final court orders against the company regarding employee rights equals to 26, the median value of zero for both BIST 100 and BIST 30 companies indicates that this case is not a problem in the overall sample. The fact that 59% of BIST 100 companies reported no final court order concluded against them on this matter indicates that the mean value of 26 is due to outliers.

³⁴ The relevant CRF item: A whistleblowing programme is in place for reporting legal and ethical issues.

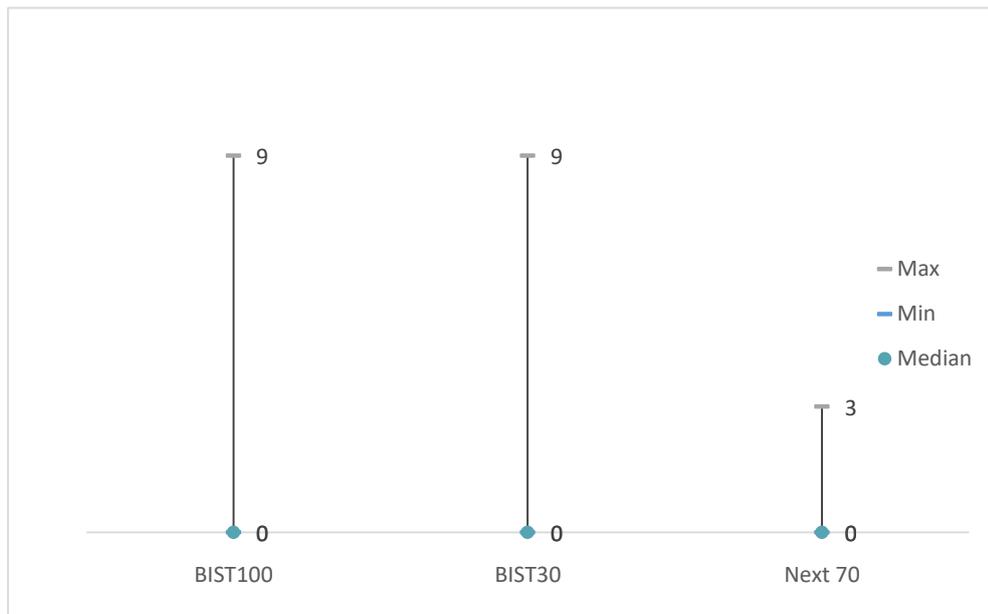
³⁵ The relevant CRF item: The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.

Figure 10. Cases Decided Against the Company for Breach of Employee Rights



88. We also looked further into Principle 3.3.9³⁶, which records 99% compliance rate. As Figure 11 shows the median of work accidents is equal to zero with a maximum value of 9.

Figure 11. Number of Work Accidents

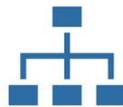


³⁶ The relevant CRF item: A safe working environment for employees is maintained.

iv. Board of Directors

89. The Board of Directors provides the necessary direction and ensure accountability to lead a company to its long-term success. An effective board has well-defined functions, qualified members, effective procedures, is active and also supported by well-functioning committees. All of these aspects are covered by the fourth category of the Principles dedicated to the Board of Directors. This year’s issuers showcased the lowest levels of compliance in the ‘Board Structure and ‘Board Practices’ themes.

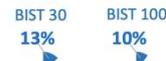
Board Structure



Independent Directors



Over 25% women directors on board



Board Tenure



Board Practices



Conducting board evaluations



Limit to external commitments



90. Table 12 and Table 13 below show the first five principles with the highest and lowest compliance levels in the ‘Board of Directors’ category.

Table 12. Board of Directors: Principles with the Highest Compliance Rate

No.	Principle	BIST 100 (%)	BIST 30 (%)	Next 70 (%)
4.1.1	The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	100	100	100
4.2.7	The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	100	100	100
4.4.6	Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	98	97	99
4.2.1	The board of directors documented its meetings and reported its activities to the shareholders.	96	100	94
4.3.10	At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	94	87	97

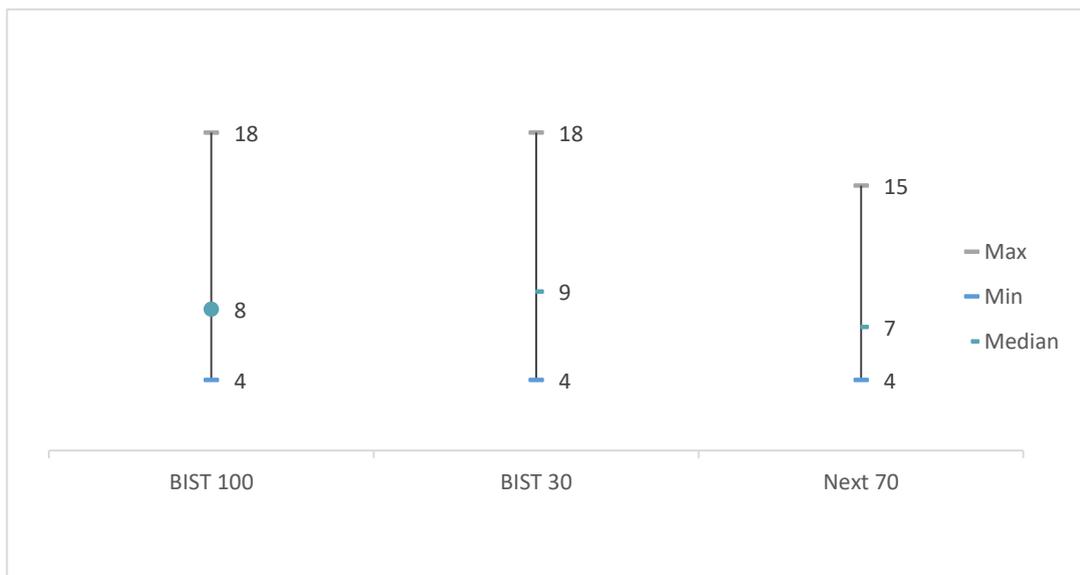
Table 13. Board of Directors: Principles with the Lowest Compliance Rate

Number	Practice	BIST 100 (%)	BIST 30 (%)	Next 70 (%)
4.6.5	The individual remuneration of board members and executives is disclosed in the annual report.	0	0	0
4.5.5	Board members serve in only one of the Board's committees.	3	0	5
4.3.9	The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	10	13	9
4.4.7	There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.	10	17	8
4.6.1	The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	22	30	18

Board Structure

91. With a median of 8 and 9 directors in the BIST 100 and BIST 30 (mean: 8.25 and 9.17, respectively), the boards in the Group are of an adequate size (see Figure 12). They are large enough to be composed of directors with diverse and complementary skills and experience but are not too large in terms of effective meeting practices and hence favour good board dynamics.

Figure 12. Number of Directors



92. It is also observed that the boards of the companies in our sample, for both the BIST 100 and BIST 30, stick to what is required pursuant to the mandatory Principle 4.3.2 (non-executive rate above 50%) and Principle 4.3.4 (independent rate of one third or in any case not less than two). This outlook reveals that board independence beyond the

mandatory level of one third of the total board size has not gained much popularity. Overall, 39% of the Group have an independent director rate that is less than one third of the board, while only 4% of companies have a board with more than 50% independent directors. Also, there is a significant difference between the boards of NEXT 70 and BIST 30 companies with respect to the ratio of executive directors; i.e., 21% v. 14%, respectively. (see Figure 13).

Figure 13. Board Composition (%)

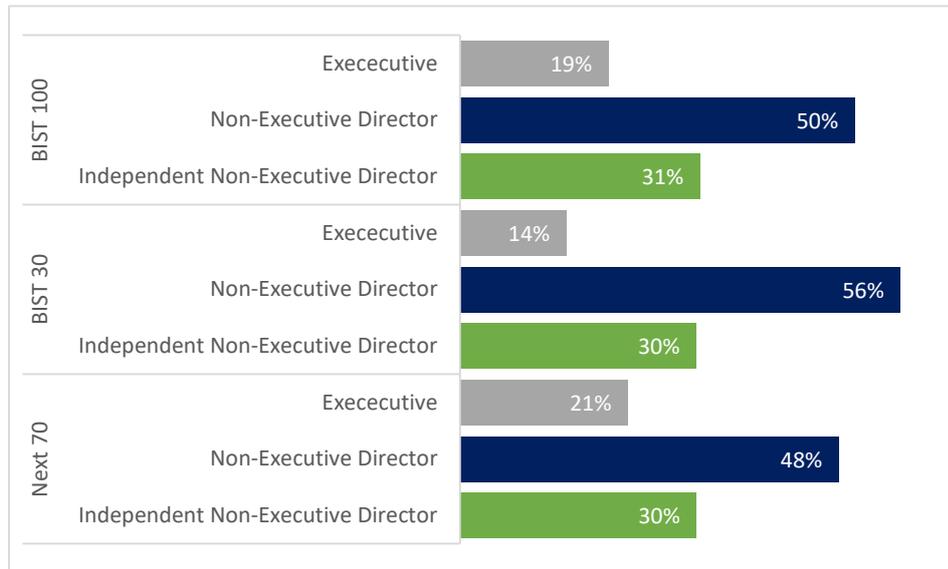
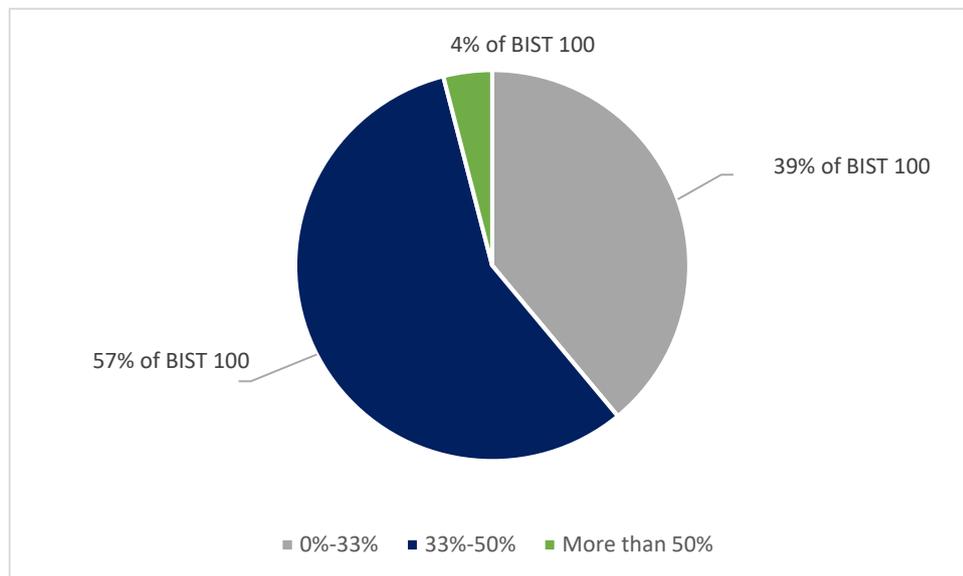


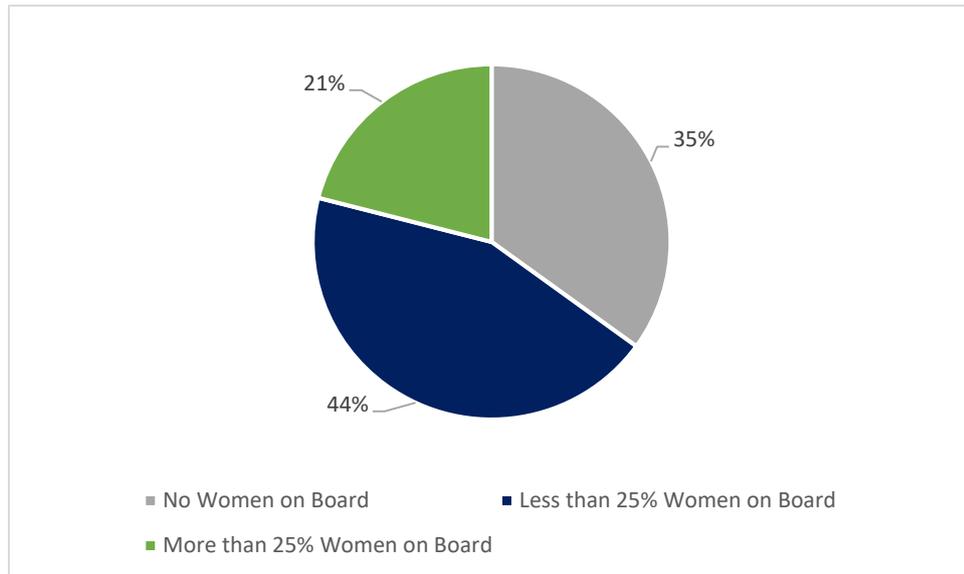
Figure 14. Percentage of Independent Directors



Women Directors

93. Compliance with Principle 4.3.9³⁷ is at fairly low levels with 10% for the BIST 100 and 13% for the BIST 30. The average ratio of women on the boards of BIST 100 and BIST 30 companies is 14% and 15%, respectively. While 35% of the companies have no women directors on their boards, 20% of them have a board with a women director ratio of at least 25% (see Figure 15).

Figure 15. Percentage of Women on the Board



94. Some of the explanations provided by companies with respect to Principle 4.3.9 on setting a minimum target for the ratio of women on board are presented below:

“While in the past more than one female director was elected to the board, there currently is no woman at our board. The Corporate Governance Committee has advised the board to include female directors in the next periods. The company aims to design the nomination process in a way to favour women in the next election period.”

“The company has adopted a written policy on women directors, which is reviewed by the Corporate Governance Committee annually. However, the policy does not specify a numeric target. Male or female candidates are not discriminated during the nomination and election process. However, among the candidates with equal qualifications, women are given priority. Since there is an awareness and opportunity for a balanced representation at the board, the current practice has no adverse impact on the governance practices. Therefore, no policy change is expected until December 2019, which is the next policy review date.”

³⁷ The relevant CRF item: The board of directors has approved the policy on its own composition, setting a minimum target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.

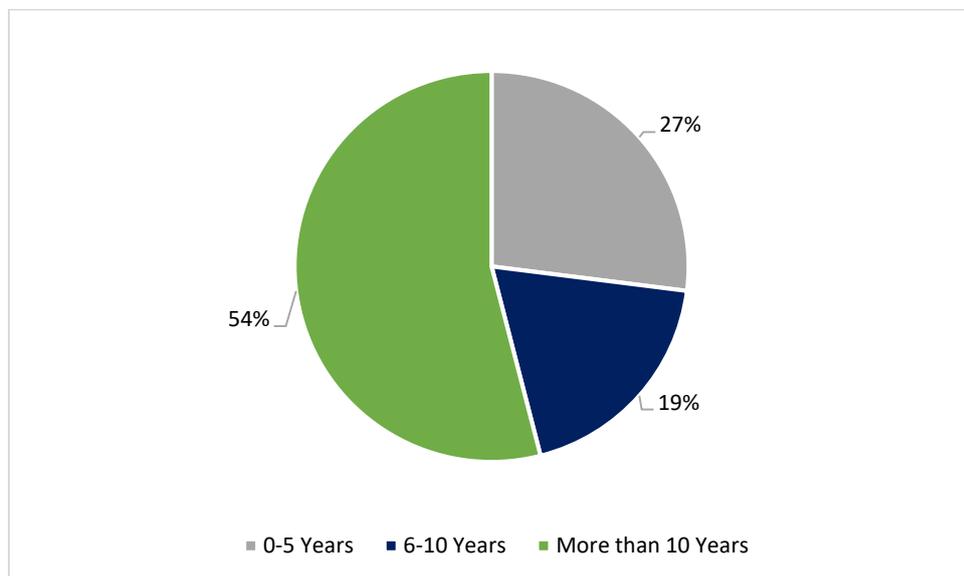
Accounting and Finance Expertise

95. Given the complexity of finance-related tasks, pursuant to the international best practices Audit Committees are expected to have at least one member with more than 5-years of experience in audit/accounting and finance. High compliance rates (94%) observed in relation to the Principle 4.3.10³⁸ represent one of the strengths of the boards of directors in our sample.

Board Tenure

96. For the past decade, significant attention has been paid to the issue of board refreshment with new ideas. The primary concern is that a stale board – one that has not added new members for many years – could pose significant risks in relation to long-term performance and effective oversight of management, due to a lack of independence, new perspectives, and competencies. A board which is too fresh may on the contrary lack the necessary history and knowledge to ensure constructive challenge. The rate of BIST 100 companies with an average board tenure of more than 10 years is 54% (see Figure 16). Considering the maximum term limit of 6 years for independent directors, the tenure of the rest of the board is even greater than 10 years, which may signal a lack of fresh ideas and matching the board's skills with ever-changing environmental requirements. Updating the composition would allow the board to have a better alignment with the changing business models, technological developments, environmental and social requirements in terms of its competencies.

Figure 16. Board Tenure



Board Meetings

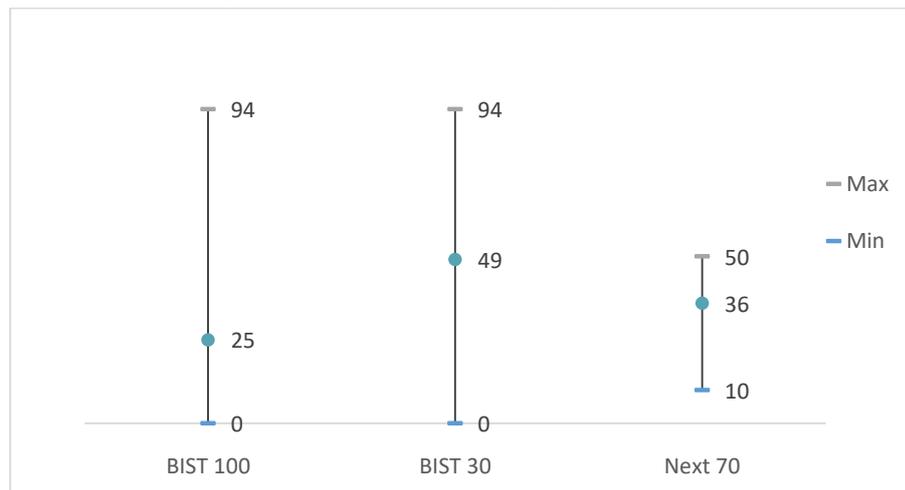
97. Boards, to function effectively, need to meet in person or remotely using telecommunication technologies. However, boards in our sample appear to be very active when it comes to meetings (see Figure 17), with one company reporting 94

³⁸ The relevant CRF item: At least one member of the Audit Committee has 5 years of experience in audit/accounting and finance.

meetings. Nonetheless, we believe that these high meeting frequencies are due to incorrect reporting. A median of 25 meetings and maximum of 94 (49 and 94 for BIST 30), suggest a misunderstanding of the question. Companies might actually be referring to the number of board resolutions as opposed to actual board meetings. In fact, while conducting a preliminary analysis in 2016 based on 2015 compliance reports, we noted that companies prefer to report their board resolution numbers instead of official board meetings. It is believed that this tendency continues, and this explains the strikingly high number of board meetings reported. It is worth noting that Principles of Corporate Governance are concerned with the extent to which boards take active role and not with the number of resolutions. Disclosures provided by companies indicate that there is insufficient transparency in terms of effective board functioning and planning of the meetings.

98. In contrast, one company reported zero board meetings. CGIF information provided by the company explains that board meetings are held in person when the business necessity arises, and during the reporting period the board of directors did not meet in person, while board resolutions were taken pursuant to the procedure in Turkish Commercial Code Article 390.

Figure 17. Number of Board Meetings Held In Person



Chair/CEO split

99. As noted in Table 12 and Table 13, the compliance rate for this category bring up mixed views, as some principles record high and others very low compliance rates. On a positive note, 96% of issuers comply with Principle 4.2.5³⁹ by distinguishing the running of a company from the running of its board to ensure good accountability. In total, there are 4 companies in our sample that are led by a combined Chair/CEO.

External Commitments

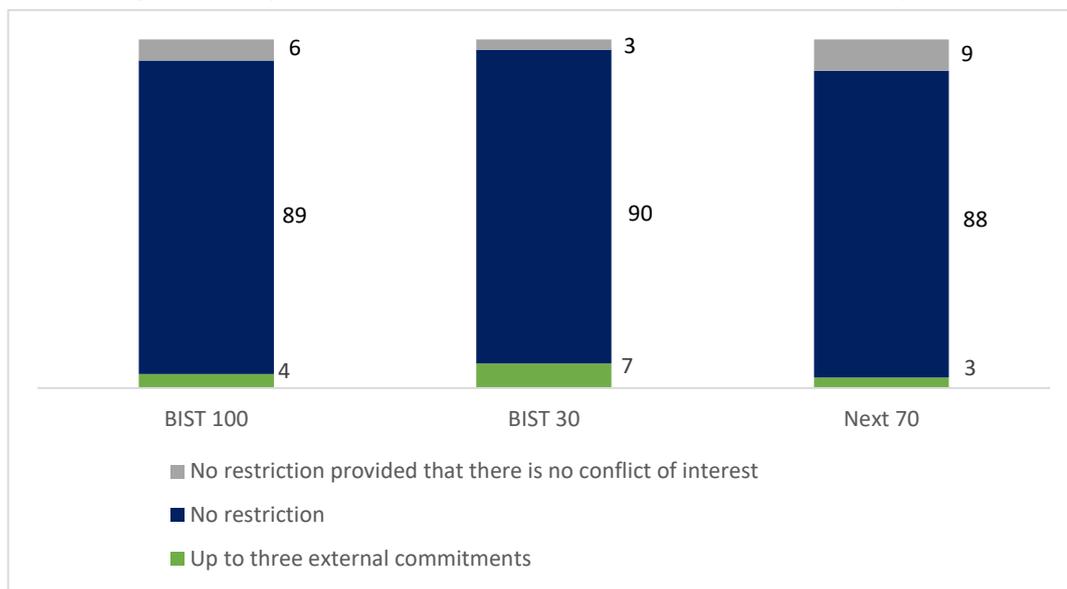
100. A further corporate governance debate in recent years has been on the impact external commitments and distractions have on director effectiveness. The rationale behind this is that members of the board of directors should allocate a reasonable amount of time for the business of the corporation. External commitments impact the availability of

³⁹ The relevant CRF item: The roles of the Chairman and Chief Executive Officer are separated and defined.

directors and increase the risk of potential conflicts of interest. Therefore, it is expected that directors' external duties are conditional on certain rules or become limited.

101. In the CRF, Principle 4.4.7⁴⁰ touches on this issue, and results show a very low compliance rate of 10% and 17% for the BIST 100 and BIST 30, respectively. The CGIF question linked to this Principle asked companies whether they had restrictions on the maximum external commitments of its board members, and Figure 18 sums up these responses. The answers are aligned with those of the CRF, as only a handful of companies have restrictions in place. The greatest part of companies in the BIST 100 have no restrictions at all, and only in some are restrictions linked to other criteria – leaving them open for interpretation and seemingly adjustable.

Figure 18. Policy on the Number of Maximum External Commitments (% of Companies)



102. Principle 4.4.7 on external commitments reaches greater compliance in the BIST 100 than the BIST 30. One company gave a justification for not complying with this Principle by explaining its context, rationale and mitigating action as follows:

“Pursuant to the Terms of Reference of the Board of Directors, the Corporate Governance Committee has been assigned with the responsibility of monitoring and reporting to the Board of Directors any potential problem including conflict of interest, failure to devote sufficient time and failure to perform duties at the board, which might arise due to external commitments of board members. In order not to limit the flexibility of business life, external commitments of board members are not restricted or regulated. However, the Committee is in charge of monitoring potential unfavourable situations that might be caused by external commitments and report them to the Board of Directors.”

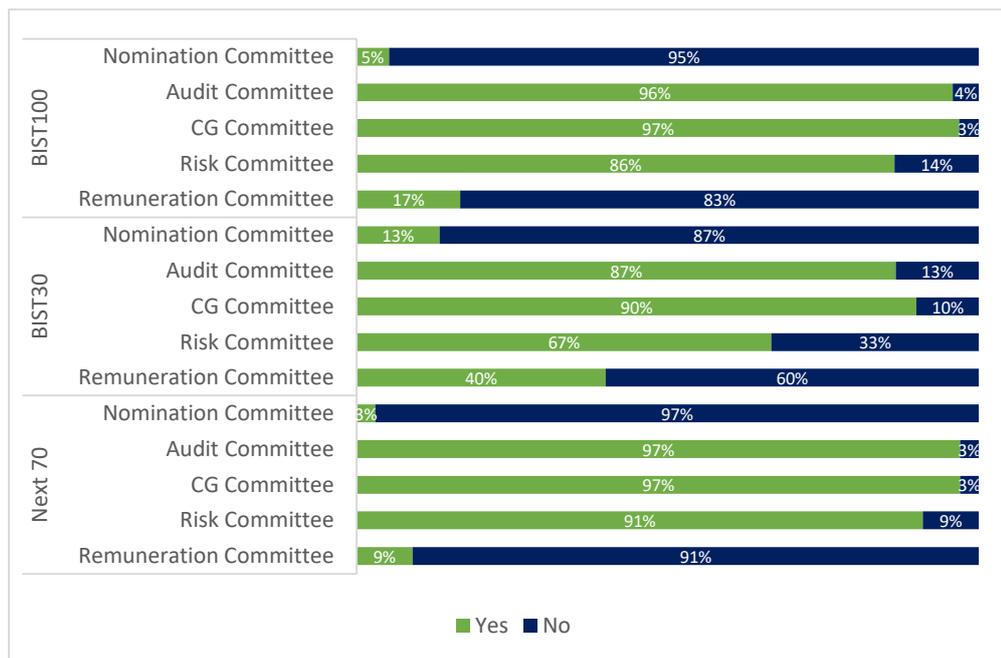
⁴⁰ The relevant CRF item: There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.

Board Committees

103. Compliance with Principle 4.5.5⁴¹ was reported by only 3% of the companies indicating that this practice has not gained popularity at all among BIST 100 companies. Explanations for not complying with this Principle are similar for most issuers, as they tend to provide just the rationale:

“Board members who take seat in more than one committee increase communication and cooperation opportunities between the committees with similar tasks.”

Figure 19. Board Committees



104. It is observed that lack of sufficient independent directors also makes it difficult to comply with the Principle 4.5.5 suggesting each director to take part in not more than one committee. Only 3% of companies declared compliance with this principle, which may undermine the quality of work in those committees, as existing independent directors may be overburdened and not necessarily well qualified for all committees, to which they are appointed.

Board Performance Evaluations

105. Board effectiveness has a direct impact on the quality of corporate strategy, business performance and the capacity to attract capital. Regular board reviews are essential for board effectiveness and are increasingly required by regulators, best practice codes and investors. However, it is noted that board performance evaluation is not a widespread practice within the Group. In fact, approximately 60% of the issuers did not have any board performance evaluation, and for the companies who had conducted a board evaluation, 97% of these cases were not facilitated by an external party.

⁴¹ The relevant CRF item: Board members serve in only one of the Board's committees.

V. Appendix

A. Companies from the BIST 30 (as per June 2019) – in alphabetical order

NO	COMPANY NAME
1	AKBANK T.A.Ş.
2	ARÇELİK A.Ş.
3	ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.
4	BİM BİRLEŞİK MAĞAZALAR A.Ş.
5	DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.
6	EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
7	EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.
8	FORD OTOMOTİV SANAYİ A.Ş.
9	HACI ÖMER SABANCI HOLDİNG A.Ş.
10	KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.
11	KOÇ HOLDİNG A.Ş.
12	KOZA ALTIN İŞLETMELERİ A.Ş.
13	KOZA ANADOLU METAL MADENCİLİK İŞLETMELERİ A.Ş.
14	PEGASUS HAVA TAŞIMACILIĞI A.Ş.
15	PETKİM PETROKİMYA HOLDİNG A.Ş.
16	SODA SANAYİİ A.Ş.
17	TAV HAVALİMANLARI HOLDİNG A.Ş.
18	TEKFEN HOLDİNG A.Ş.
19	TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
20	TURKCELL İLETİŞİM HİZMETLERİ A.Ş.
21	TÜPRAŞ-TÜRKİYE PETROL RAFİNERİLERİ A.Ş.
22	TÜRK HAVA YOLLARI A.O.
23	TÜRK TELEKOMÜNİKASYON A.Ş.
24	TÜRKİYE GARANTİ BANKASI A.Ş.
25	TÜRKİYE HALK BANKASI A.Ş.
26	TÜRKİYE İŞ BANKASI A.Ş.
27	TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
28	TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.
29	TÜRKİYE VAKIFLAR BANKASI T.A.O.
30	YAPI VE KREDİ BANKASI A.Ş.

B. Companies from the BIST 100 (as per June 2019) – in alphabetical order

NO	COMPANY NAME
1	ADESE ALIŞVERİŞ MERKEZLERİ TİCARET A.Ş.
2	ANADOLU EFES BİRACILIK VE MALT SANAYİİ A.Ş.
3	AFYON ÇİMENTO SANAYİ T.A.Ş.
4	AG ANADOLU GRUBU HOLDİNG A.Ş.
5	AKBANK T.A.Ş.
6	AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
7	AKSA ENERJİ ÜRETİM A.Ş.
8	ALARKO HOLDİNG A.Ş.
9	ALBARAKA TÜRK KATILIM BANKASI A.Ş.
10	ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
11	ANADOLU CAM SANAYİİ A.Ş.
12	ARÇELİK A.Ş.
13	ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.
14	A.V.O.D. KURUTULMUŞ GIDA VE TARIM ÜRÜNLERİ A.Ş.
15	BERA HOLDİNG A.Ş.
16	BİM BİRLEŞİK MAĞAZALAR A.Ş.
17	COCA-COLA İÇECEK A.Ş.
18	ÇEMAŞ DÖKÜM SANAYİ A.Ş.
19	ÇEMTAŞ ÇELİK MAKİNA SANAYİ VE TİCARET A.Ş.
20	ÇELEBİ HAVA SERVİSİ A.Ş.
21	DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.
22	DOĞAN ŞİRKETLER GRUBU HOLDİNG A.Ş.
23	ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.
24	EGE ENDÜSTRİ VE TİCARET A.Ş.
25	EMLAK KONUT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
26	ENERJİSA ENERJİ A.Ş.
27	ENKA İNŞAAT VE SANAYİ A.Ş.
28	EREĞLİ DEMİR VE ÇELİK FABRİKALARI T.A.Ş.
29	FORD OTOMOTİV SANAYİ A.Ş.
30	TÜRKİYE GARANTİ BANKASI A.Ş.
31	GENTAŞ GENEL METAL SANAYİ VE TİCARET A.Ş.
32	GERSAN ELEKTRİK TİCARET VE SANAYİ A.Ş.
33	GÖLTAŞ GÖLLER BÖLGESİ ÇİMENTO SANAYİ VE TİCARET A.Ş.
34	GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
35	GSD HOLDİNG A.Ş.
36	GÜBRE FABRİKALARI T.A.Ş.
37	TÜRKİYE HALK BANKASI A.Ş.
38	HEKTAŞ TİCARET T.A.Ş.
39	HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NO	COMPANY NAME
40	ICBC TURKEY BANK A.Ş.
41	İŞIKLAR ENERJİ VE YAPI HOLDİNG A.Ş.
42	İHLAS HOLDİNG A.Ş.
43	İHLAS GAYRİMENKUL PROJE GELİŞTİRME VE TİCARET A.Ş.
44	İNDEKS BİLGİSAYAR SİSTEMLERİ MÜHENDİSLİK SANAYİ VE TİCARET A.Ş.
45	İPEK DOĞAL ENERJİ KAYNAKLARI ARAŞTIRMA VE ÜRETİM A.Ş.
46	TÜRKİYE İŞ BANKASI A.Ş.
47	İŞ FİNANSAL KİRALAMA A.Ş.
48	İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
49	İTTİFAK HOLDİNG A.Ş.
50	KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş.
51	KOÇ HOLDİNG A.Ş.
52	KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş.
53	KONYA ÇİMENTO SANAYİİ A.Ş.
54	KORDSA TEKNİK TEKSTİL A.Ş.
55	KOZA ALTIN İŞLETMELERİ A.Ş.
56	KOZA ANADOLU METAL MADENCİLİK İŞLETMELERİ A.Ş.
57	KARDEMİR KARABÜK DEMİR ÇELİK SANAYİ VE TİCARET A.Ş.
58	MAVİ GİYİM SANAYİ VE TİCARET A.Ş.
59	METRO TİCARİ VE MALİ YATIRIMLAR HOLDİNG A.Ş.
60	MİGROS TİCARET A.Ş.
61	MLP SAĞLIK HİZMETLERİ A.Ş.
62	NETAŞ TELEKOMÜNİKASYON A.Ş.
63	NET HOLDİNG A.Ş.
64	ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET A.Ş.
65	OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
66	ÖZDERİCİ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
67	PARSAN MAKİNA PARÇALARI SANAYİİ A.Ş.
68	PETKİM PETROKİMYA HOLDİNG A.Ş.
69	PEGASUS HAVA TAŞIMACILIĞI A.Ş.
70	POLİSAN HOLDİNG A.Ş.
71	PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.
72	HACI ÖMER SABANCI HOLDİNG A.Ş.
73	SASA POLYESTER SANAYİ A.Ş.
74	TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
75	TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.
76	ŞEKERBANK T.A.Ş.
77	SODA SANAYİİ A.Ş.
78	ŞOK MARKETLER TİCARET A.Ş.
79	TAV HAVALİMANLARI HOLDİNG A.Ş.
80	TURKCELL İLETİŞİM HİZMETLERİ A.Ş.
81	TÜRK HAVA YOLLARI A.O.

NO	COMPANY NAME
82	TEKFEN HOLDİNG A.Ş.
83	TÜMOSAN MOTOR VE TRAKTÖR SANAYİ A.Ş.
84	TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.
85	TRAKYA CAM SANAYİİ A.Ş.
86	TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
87	TÜRK TELEKOMÜNİKASYON A.Ş.
88	TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.
89	TUKAŞ GIDA SANAYİ VE TİCARET A.Ş.
90	TÜPRAŞ-TÜRKİYE PETROL RAFİNERİLERİ A.Ş.
91	ÜLKER BİSKÜVİ SANAYİ A.Ş.
92	TÜRKİYE VAKIFLAR BANKASI T.A.O.
93	VERUSA HOLDİNG A.Ş.
94	VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
95	YATAŞ YATAK VE YORGAN SANAYİ VE TİCARET A.Ş.
96	YAPI VE KREDİ BANKASI A.Ş.
97	ZORLU ENERJİ ELEKTRİK ÜRETİM A.Ş.

C. The 'Next 70' Group – in alphabetical order

NO	COMPANY NAME
1	ADESE ALIŞVERİŞ MERKEZLERİ TİCARET A.Ş.
2	ANADOLU EFES BİRACILIK VE MALT SANAYİİ A.Ş.
3	AFYON ÇİMENTO SANAYİ T.A.Ş.
4	AG ANADOLU GRUBU HOLDİNG A.Ş.
5	AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
6	AKSA ENERJİ ÜRETİM A.Ş.
7	ALARKO HOLDİNG A.Ş.
8	ALBARAKA TÜRK KATILIM BANKASI A.Ş.
9	ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
10	ANADOLU CAM SANAYİİ A.Ş.
11	A.V.O.D. KURUTULMUŞ GIDA VE TARIM ÜRÜNLERİ A.Ş.
12	BERA HOLDİNG A.Ş.
13	COCA-COLA İÇECEK A.Ş.
14	ÇEMAŞ DÖKÜM SANAYİ A.Ş.
15	ÇEMTAŞ ÇELİK MAKİNA SANAYİ VE TİCARET A.Ş.
16	ÇELEBİ HAVA SERVİSİ A.Ş.
17	DOĞTAŞ KELEBEK MOBİLYA SANAYİ VE TİCARET A.Ş.
18	ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.
19	EGE ENDÜSTRİ VE TİCARET A.Ş.
20	ENERJİSA ENERJİ A.Ş.
21	ENKA İNŞAAT VE SANAYİ A.Ş.
22	GENTAŞ GENEL METAL SANAYİ VE TİCARET A.Ş.
23	GERSAN ELEKTRİK TİCARET VE SANAYİ A.Ş.
24	GÖLTAŞ GÖLLER BÖLGESİ ÇİMENTO SANAYİ VE TİCARET A.Ş.
25	GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
26	GSD HOLDİNG A.Ş.
27	GÜBRE FABRİKALARI T.A.Ş.
28	HEKTAŞ TİCARET T.A.Ş.
29	HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.
30	ICBC TURKEY BANK A.Ş.
31	İŞIKLAR ENERJİ VE YAPI HOLDİNG A.Ş.
32	İHLAS HOLDİNG A.Ş.
33	İHLAS GAYRİMENKUL PROJE GELİŞTİRME VE TİCARET A.Ş.
34	İNDEKS BİLGİSAYAR SİSTEMLERİ MÜHENDİSLİK SANAYİ VE TİCARET A.Ş.
35	İPEK DOĞAL ENERJİ KAYNAKLARI ARAŞTIRMA VE ÜRETİM A.Ş.
36	İŞ FİNANSAL KİRALAMA A.Ş.
37	İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NO	COMPANY NAME
38	İTTİFAK HOLDİNG A.Ş.
39	KARSAN OTOMOTİV SANAYİİ VE TİCARET A.Ş.
40	KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş.
41	KONYA ÇİMENTO SANAYİİ A.Ş.
42	KORDSA TEKNİK TEKSTİL A.Ş.
43	MAVİ GİYİM SANAYİ VE TİCARET A.Ş.
44	METRO TİCARİ VE MALİ YATIRIMLAR HOLDİNG A.Ş.
45	MİGROS TİCARET A.Ş.
46	MLP SAĞLIK HİZMETLERİ A.Ş.
47	NETAŞ TELEKOMÜNİKASYON A.Ş.
48	NET HOLDİNG A.Ş.
49	ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET A.Ş.
50	OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.
51	ÖZDERİCİ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
52	PARSAN MAKİNA PARÇALARI SANAYİİ A.Ş.
53	POLİSAN HOLDİNG A.Ş.
54	PARK ELEKTRİK ÜRETİM MADENCİLİK SANAYİ VE TİCARET A.Ş.
55	SASA POLYESTER SANAYİ A.Ş.
56	ŞEKERBANK T.A.Ş.
57	ŞOK MARKETLER TİCARET A.Ş.
58	TÜMOSAN MOTOR VE TRAKTÖR SANAYİ A.Ş.
59	TRAKYA CAM SANAYİİ A.Ş.
60	TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
61	TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.
62	TUKAŞ GIDA SANAYİ VE TİCARET A.Ş.
63	ÜLKER BİSKÜVİ SANAYİ A.Ş.
64	VERUSA HOLDİNG A.Ş.
65	VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
66	YATAŞ YATAK VE YORGAN SANAYİ VE TİCARET A.Ş.
67	ZORLU ENERJİ ELEKTRİK ÜRETİM A.Ş.