



Corporate Governance and Credit Rating Services, Inc.

## Corporate Governance Rating Report

işLeasing®

26 December 2014

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## Rating and Executive Summary

### İŞ FİNANSAL KİRALAMA A.Ş. (ISFIN)

 SAHA  
Corporate Governance Rating:

**9.07**



MAIN SECTIONS: **Avg. 91.03**

Shareholders: **89.58**



Public Disclosure & Transparency: **92.79**



Stakeholders: **97.97**



Board of Directors: **85.83**



0 10 20 30 40 50 60 70 80 90 100

### EXECUTIVE SUMMARY

This report on rating of İş Finansal Kiralama A.Ş.'s ("İş Leasing") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

İş Leasing is rated with **9.07** as a result of the Corporate Governance study done by SAHA. The company's corporate governance rating has shaped up as above in consideration with the importance given by İş Leasing to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

Additionally, İş Leasing takes place in the World Corporate Governance Index (WCGI) published by SAHA on July 4, 2014. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com>.

İş Leasing is rated with **8.62** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. İş Leasing carries out the investor relations obligations through "Investor Relations Unit". All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a consistent dividend policy of the company and it is disclosed to the public. There are no restrictions on transfer of shares. The company has constituted a policy on donations and grants and announced it to public on the corporate web site. On the other hand, the rate of minority rights in the company's articles of association is adopted as prescribed for public joint stock companies (%5). Furthermore, holders of Group A shares have the privilege on board of directors' nominations.

İş Leasing attained **9.61** under the **Public Disclosure and Transparency** chapter. There is a comprehensive website that includes all information listed in the "Corporate Governance Principles" pertinent to public disclosure. Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul A.Ş. (BIST) rules and regulations. The annual report is comprehensive and informative. In the company's capital structure, there are no ultimate controlling real person shareholders with a share higher than 5%. Benefits provided to board members and senior management is mentioned collectively in the annual report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, İş Leasing scored **9.11**. İş Leasing guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is effectuated and disclosed to the public on the corporate web site. The company has an efficient and comprehensive human resources policy. Models have been developed to support the participation of stakeholders in the management of the company, but not included in the articles of association. Code of ethics is publicly available through the corporate web site.

From the perspective of the principles regarding the **Board of Directors**, İş Leasing's tally is **8.98**. There is a well communicated company mission and vision, and the board fulfills all duties regarding company needs. Chairman of the board of directors and the general manager is not the same person. The board consists of eleven members, with one executive and two independent members. Each member is entitled to a single vote. CMB criteria are complied with for the appointment of independent members who have each signed a declaration of independence. There is one female member on the board. The company has not prepared a policy or set a timetable to reach the Corporate Governance Principles' advisory target of 25% female board membership rate. Corporate Governance, Audit, and Early Identification of Risk Committees are established within the board of directors. The working principles of the committees are disclosed to the public. Our observations will continue in order to have a more precise view of the activities and the degree of functionality of the committees. Principles of remuneration of board members and senior executives are available on the corporate web site. Losses that may be incurred by the company as a result of not performing the executives' duties duly are insured. Remuneration of board members and managers with administrative responsibility as well as benefits provided is mentioned collectively in the annual report. As far as principles are concerned a list on individual basis is essential.

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.23).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**  
Public Disclosure and Transparency: **25%**  
Stakeholders: **15%**  
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

## Company Overview

<b>İş Finansal Kiralama A.Ş.</b>	
	<b>Chairman of the Board</b> Suat İnce <b>General Manager</b> Hasan K. Bolat
İş Kuleleri, Kule 1, Kat: 6 34330 Levent, İstanbul <a href="http://www.isleasing.com.tr">www.isleasing.com.tr</a>	<b>Head of Investor Relations Unit</b> Nida Çetin Tel: (0212) 350 7400, Fax: (0212) 350 7499 <a href="mailto:nidacetin@isleasing.com.tr">nidacetin@isleasing.com.tr</a>

İş Leasing was established on 9 March 1988 and conducts its activities in accordance with the provisions of the Financial Leasing, Factoring and Financing Companies Law nr. 6361. Within the framework of legislative provisions, the company's main activity is to provide leasing services in Turkey and abroad and started leasing operations on July 1988.

The company purchased İş Faktoring A.Ş.'s ("İş Faktoring") shares with a total nominal value off TL 12,517,000 in exchange for 10,952,375 US Dollars on August 11, 2004. Ownership interest of İş Leasing in this subsidiary is 78.23% and it is consolidated in the financial statements.

İş Leasing and its subsidiary continues their activity within the framework of the "Financial Leasing, Factoring and Financing Companies Law" nr. 28496 published in the Official Gazette dated December 13, 2012, and the Banking Regulation and Supervision Agency's (BRSA) "Regulation on Establishment and Operating Principles of Financial Leasing, Factoring and Financing Companies".

The company shares are traded under "ISFIN" code at Borsa İstanbul and İş Leasing is a constituent of BIST ALL SHARES-100 (XTUMY), BIST NATIONAL (XULUS), BIST ALL SHARES (XUTUM), BIST LEASING FACTORING (XFINK), BIST FINANCIALS (XUMAL) and BIST CORPORATE GOVERNANCE (XKURY) indices.

İş Leasing's capital structure consisted as:

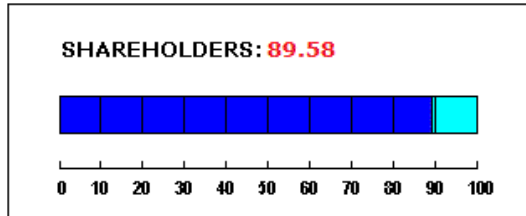
<b>Shareholder</b>	<b>Share Amount (TL)</b>	<b>Group A (TL)</b>	<b>Group B (TL)</b>
Türkiye İş Bankası A.Ş.	128,270,705.20	3,000,000.00	125,270,705.20
Türkiye Sınai Kalkınma Bankası A.Ş	131,805,214.53	2,550,000.00	129,255,214.53
T. Şişe Cam Fabrikaları A.Ş	351,993.81	225,000.00	126,993.81
Nemrut Liman İşletmeleri A.Ş	306,307.30	225,000.00	81,307.30
Camiş Yatırım Holding A.Ş	3,847,250.79		3,847,250.79
Free Float	196,921,528.37		196,921,528.37
<b>Total</b>	<b>461,503,000.00</b>	<b>6,000,000.00</b>	<b>455,503,000.00</b>

Group A shareholders have the privilege to nominate all members of the board of directors.

The board of directors of İş Leasing is composed as follows:

<b>İş Leasing Board of Directors</b>	
<b>Name</b>	<b>Title</b>
Suat İnce	Chairman of the Board
Ozan Gürsoy	Vice-chairman
Halil Eroğlu	Board Member
Burak Akgüç	Board Member
M. Hakan Berument	Independent Member Audit Committee Chairman Early Identification of Risk Committee Chairman
M. Baha Karan	Independent Member Corporate Governance Committee Chairman Audit Committee Member
Hasan K. Bolat	Board Member General Manager
Z. Hansu Uçar	Board Member Corporate Governance Committee Member Early Identification of Risk Committee Member
Fikret Utku Özdemir	Board Member
Ünal Çakmak	Board Member
O. Tufan Kurbanoğlu	Board Member

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Policy on donations and grants approved at the general shareholders' meeting and disclosed to public
+	A specific and consistent dividend distribution policy established
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
-	Privilege to nominate all members of the board of directors

#### 1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

An Investor Relations Unit is established in order to carry out shareholder relations activities. Nida Çetin, as the head of this unit, reports directly to the Corporate Governance Committee. The department manager holds Capital Market Activities Advance Level and Corporate Governance Rating Specialist Licenses.

Said unit is in charge of use of shareholding rights, and establishes the communications and contacts between the board and the shareholders.

Activities of this unit are being regularly reported to the board and the Corporate Governance Committee.

The main duties and functions of the Investor Relations Unit are primarily:

- To ensure that records relating to shareholders are kept accurately, safely and up-to-date;
- To satisfy the written information demands of shareholders with regard to the company, except for confidential information and/or trade secrets which have not yet been made public;
- To ensure that the meetings of the general shareholders' meeting are held in accordance with the applicable laws, the articles of association and other internal bylaws and regulations of the company;
- To prepare the documents for use by shareholders in the general shareholders' meetings;
- To ensure that the voting results are duly recorded, and reports on voting results are sent to shareholders;
- To supervise and monitor all and any matters relating to enlightenment of public, also including the applicable laws and regulations and the company's information policy;
- To prepare and issue information reports for domestic and foreign investors, and if and to the extent needed, to organize presentations and meetings.

All of 5 verbal and 1 written information demands received from shareholders during the report period have been met by the Investor



Relations Unit, and a total of 10 informative meetings have been organized for local and foreign investors, and shareholder records have been kept up-to-date.

Information and explanations that may affect use of shareholders' rights are available and up to date on the corporate web site.

### **1.2. Shareholders' Right to Obtain and Evaluate Information:**

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders and no such demand was received within the reporting period.

All kinds of information about the company required by the legislation are provided in a complete, timely, honest, and diligent manner and there is no fine or warning received in this regard.

The company has constituted a disclosure policy and submitted it to the attention of general shareholders' meeting and disclosed it to public on the corporate web site.

### **1.3 Minority Rights:**

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the company.

### **1.4. General Shareholders' Meeting:**

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on 26 March 2014 is performed through all means of communication available to the company on 27 February 2014 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Besides, the company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the annual report, financial statements and reports, and all other related documents pertaining to the agenda items along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the company, and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site;

a. the total number of shares and voting rights reflecting the company's shareholding structure as of the date of disclosure, privileged share groups within the company capital, voting rights and nature of such privileges,

b. information about the fact that there were no changes in management and activities of the company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the company operations,

c. grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the company and its related parties, whether they are independent or not, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. Minutes of the meeting show that there were no questions asked in this regard.

Shareholders were informed that the board members did not engage in any activity within the scope of Article 395 and 396 of the Turkish Commercial Code.

The members of the board of directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and representatives of the external audit company were present to give necessary information and to answer questions at the general shareholders' meeting.

There were no agenda items for approval due to a lack of consent of the majority of independent board members.

The company has established a policy on donations and grants and submitted it to the general shareholders' meeting for approval. Shareholders were informed that no donations were made within the reporting period and the upper limit of donations for the upcoming period was approved.

There is no provision in the articles of association of the company allowing the attendance of those including stakeholders and media with no voting rights.

#### **1.5. Voting Rights:**

At İş Leasing, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

Owners of Group A registered shares have the privilege to nominate candidates to the board.

#### **1.6. Dividend Rights:**

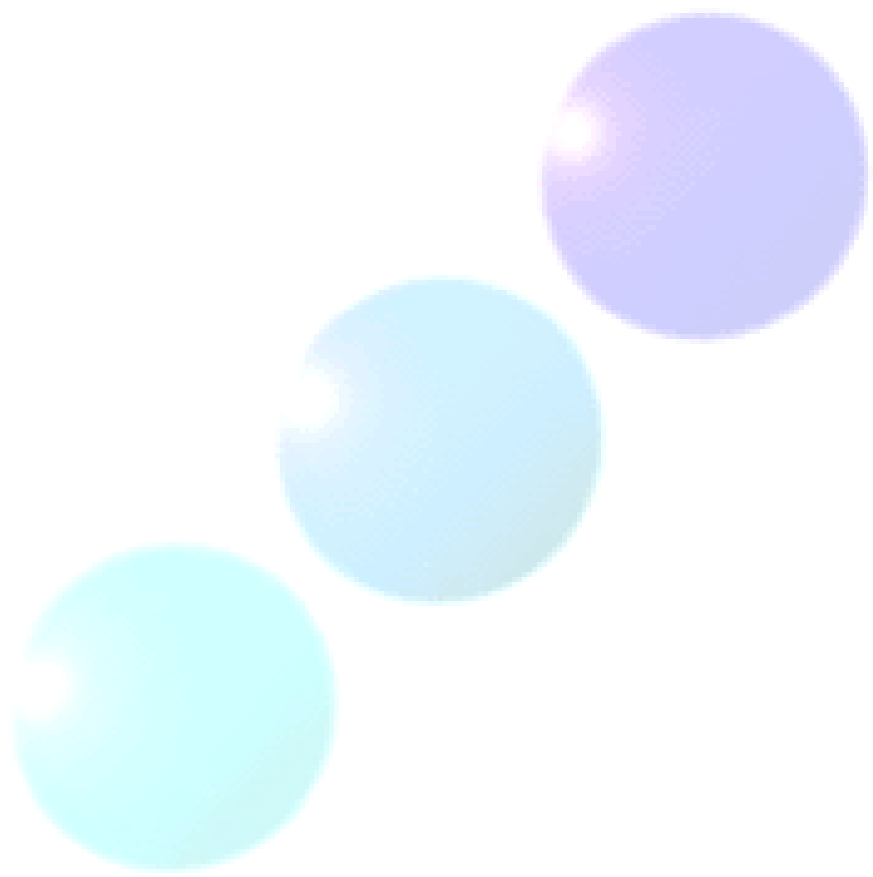
The dividend policy of İş Leasing is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

The company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the company. The dividend distribution proposal contained all necessary information.

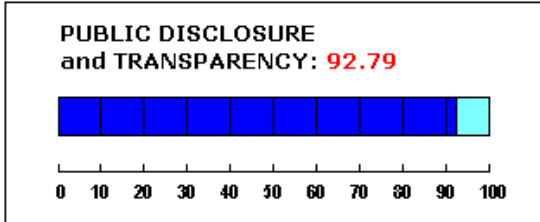
The articles of association of the company contain a provision on advance dividend payments.

**1.7. Transfer of Shares:**

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.



## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Comprehensive disclosure policy, disclosed to public on the corporate web site
+	Comprehensive web site, actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	Real person shareholders with a share higher than 5% within the capital structure are disclosed
+	English version of the web site for international investors
+	Remuneration policy established and disclosed to public on the corporate web site
+	Dividend distribution policy disclosed to public via corporate web site
=	Benefits provided to board members and senior executives are mentioned collectively

#### 2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the corporate web site

includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the company's articles of association, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the company, frequently asked questions, and responses thereof.

In this context, information on at least the last five years can be reached on the web site.

28.6% of İş Leasing's issued capital of TL 461,503,000 belongs to Türkiye Sınai Kalkınma Bankası A.Ş., and 27.8% belongs to Türkiye İş Bankası A.Ş. Management control is held by these two companies. According to the disclosure on the Public Disclosure Platform; as of the date of our report, among the free float Group B shares, 11.07% is held by Mr. Cem Okullu and 5.28% by Mr. Cengiz Okullu. However, Group B shares cannot be used for board nominations.

The information contained on the web site exists also in English for the benefit of international investors and is identical to the Turkish content.

The company's web site also includes; investor presentations, the donation

policy, working principles of the committees, material disclosures, the vision/mission of the company established by the board, information on dividend payments and capital increases for the last 5 years, disclosure area, general shareholders' meeting internal guidelines, social responsibility activities, information on senior management, financial data, main ratio analysis, and the human resources policy.

However, important board resolutions, disclaimer and terms of use for the web site, and a timetable on events and developments which are of interest to investors are not included.

## 2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the company and it covers information such as;

- a. period covered by the report, the title of the company, trade register number, contact information,
- b. the names of the chairmen and members serving on the committees and the board within the reporting period,
- c. the sectors in which the company operates and information on its position in these sectors,
- d. qualifications of the company's units, general explanations related to their activities and performances, and yearly developments,
- e. progress on investments, the eligibility status on incentives,
- f. changes and justifications thereof on the articles of association during the reporting period,
- g. Corporate Governance Principles Compliance Report,
- h. information on related party transactions,

- i. other issues not included in the financial statements, but are beneficial for users,
- j. the company's organization, capital and ownership structure,
- k. all benefits provided to staff and workers, information on number of personnel,
- l. information about the fact that no board member was involved in any transactions with the company on their behalf or someone else within the framework of permission granted by general shareholders' meeting along with their activities within the scope of restraint of trade,
- m. information on privileged shares,
- n. the dividend distribution policy,
- o. basic ratios on the financial position, profitability and solvency,
- p. the company's financing resources and risk management policies,
- q. information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation, following information was also given in the annual report:

- a. external duties of board members and executives,
- b. declaration of independence of the related board members,
- c. members of the committees within the board, meeting frequency and working principles of the committees, along with the board's assessment on their efficiency,
- d. the number of board meetings held during the year and participation rate of the members,
- e. major court cases against the company and possible consequences,
- f. information on the fact that there is no cross shareholding in excess of 5% of the capital,

- g. benefits and vocational training of employees, and other company activities that give rise to social and environmental results,
- h. rating results,
- i. application status of the corporate governance principles as required by the CMB communiqué and explanations on reasons behind any non-compliance.

On the other hand, benefits provided to board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

### **2.3. External Audit:**

The external audit of the company is conducted by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

There has not been a situation during the reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared by the company officials that there has been no legal conflict between the company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

## SECTION 3: STAKEHOLDERS

### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources policy
+	Stakeholders' views are taken on important decisions that concern them
+	Code of ethics disclosed to the public
+	Company is socially and environmentally sensitive and respectful
+	A written employee compensation policy is disclosed to public on the corporate web site
=	No provision in the articles of association regarding the participation of stakeholders in the management of the company despite the existence of certain incentive models

### 3.1. Company Policy Regarding Stakeholders:

İş Leasing recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the company protects the interest of stakeholders under good faith principles and within the capabilities of the company. Effective and expeditious compensation is provided in case of violation of the rights.

The corporate web site of the company is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance structure of the company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

An e-mail address of [icdenetim@isleasing.com.tr](mailto:icdenetim@isleasing.com.tr) has been formed in order to enable the employees to report to the Internal Audit Unit any events or issues which do not comply with the applicable laws and are considered to constitute a risk.

For reporting of operational losses, the "Operational Loss Event Data Entry" screen on the portal is being actively used by the employees.

In addition, reports of stakeholders to the Investor Relations Unit with respect to unlawful and unethical transactions of the company are further transmitted to the Corporate Governance Committee and the Audit Committee through the "Investor Relations Form" included in the corporate web site.

A written employee compensation policy is also established and disclosed to public on the corporate web site.

### 3.2. Stakeholders' Participation in the Company Management:

There are no models established for participation of stakeholders other than employees in management, but keeping all communication channels available and eliminating any obstacles is essential for participation of employees in management.

By being in constant communication with employees, their needs are considered, platforms and mechanisms are created for transmission of employee opinions and suggestions.

Meetings are held with participation of employees when necessary, and these meetings play an important role in the decision-making process of the company's top management. Expectations and needs of all stakeholders that the company is related to is evaluated in the framework of code of ethics and problems are resolved with mutual understanding.

Nevertheless, such models and applications are not included in the articles of association.

### **3.3. Company Policy on Human Resources:**

Main principles of human resources policy of the company are outlined below:

- The principle of providing equal opportunities to candidates in equal conditions in recruitment is adopted, and recruitment criteria are determined in writing.
- Attention is shown to ensure reliable and high standards to improve the working atmosphere and conditions in line with the needs.
- In decisions as to training, appointment and promotion, in addition to the existing objective data, the company's interests are also taken into consideration.
- Decisions taken about the employees and developments affecting them are shared with the employees.

- With the intention of contributing to personal and performance development of employees, training plans are prepared, and employees are taken to training within the frame of a yearly training plan.

- No discrimination of race, religion, language and sex is allowed among the employees, and respect is shown to human rights, and employees are protected against internal physical and emotional mobbing acts.

During the reporting period, no complaint of discrimination has been received by the company management from employees.

As the communication between the company and its employees is established directly, it is not deemed necessary to separately appoint a representative for relations between the company and its employees.

Job definitions, individual goals and performance and rewarding criteria are determined and announced by the company management to employees.

There has been no attempt on formation of an association or a collective bargaining agreement, and no such request was received. There is no trade union at the company.

### **3.4. Relations with Customers and Suppliers:**

İş Leasing has taken all necessary precautions to attain customer satisfaction in the sales and marketing of its products and services.

Accurate and complete informing of customers on company's marketing and sales services is essential. Care is given to reflect all the features of the



product on related documents, printed and visual materials. Deployment of competent personnel to provide communication with the customers on all related matters during pre-sales, sales and after sales is realized.

Within the framework of protection of trade secrets, care is taken on the confidentiality of information about customers and suppliers.

### **3.5. Ethical Rules & Social Responsibility:**

The ethical rules of İş Leasing is publicly disclosed through the corporate web site.

The projects financed in this context are ensured to be in compliance with the laws pertaining to environment and public health.

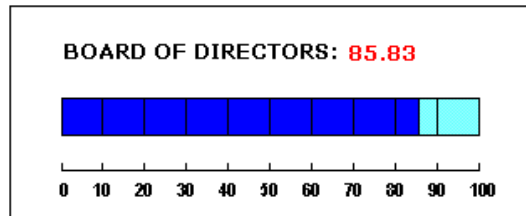
As a requirement of its social responsibility, the company is taking actions for recycling of used paper, and is giving support to social responsibility projects deemed fit and eligible.

İş Leasing complies with the laws and environmental values in all its activities. No lawsuits were filed against the company on account of any harm done to the environment during the reporting period.

### **3.6. Sustainability:**

According to the resolution reached at the meeting of the Corporate Governance Committee held on 11 December 2014, the company will begin the necessary work on establishment of a policy on environment, nature, energy saving, recycling and training.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Two independent and one executive member on the board
+	Corporate Governance, Audit, and Early Identification of Risk Committees are established and functional
+	Principles of remuneration of board members and senior executives established and disclosed to public
+	Board chairman and general manager is not the same person
+	Each member has a right to a single vote
+	Conduct of board meetings defined in internal regulations and meeting/decision quorums are in the articles of association
=	One female member on the board
=	A non-independent board member serving on more than one committee
=	Losses that may be incurred by the company, and third parties, as a result of misconduct by executives are insured
-	No policy established, no target or timing set for a minimum 25% female board membership rate
-	Remuneration and benefits provided to board members and to managers with administrative

responsibility is not explained on individual basis

#### 4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage the company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the company. The board administers and represents the company within these parameters.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

#### 4.2. Principles of Activity of the Board of Directors:

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report. The board of directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the committees. In this context, the board reviews the effectiveness of risk management and internal control systems at least four times annually.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report. Chairman of the board and general manager's executive powers are separated and this separation is documented in the articles of association. There is no individual in the company who has unlimited authority to take decisions on his/her own.

The board of directors plays a leading role in maintaining effective communication between the company and the shareholders and settling any disputes which may arise and works in close coordination with the Corporate Governance Committee and "Investor Relations Unit".

Losses incurred by the company as a result of possible misconduct by the executives are insured.

#### **4.3. Structure of the Board of Directors:**

The company's board of directors is composed of eleven members and one of them is executive. There are two independent members who have the ability to execute their duties without being influenced under any circumstances.

No upper limit for the number of independent board members is mentioned in the articles of association. Tenure of office for independent members is designated as maximum three years and members who complete term of office can be elected again.

The Corporate Governance Committee have prepared a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria, and submitted this assessment as a report to the board

for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There is one female member on the board. The company has not yet prepared a policy or set a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female board membership rate.

#### **4.4. Conduct of the Meetings of the Board of Directors:**

Board meetings take place with sufficient frequency. Seven meetings were held during the course of last year, with participation of majority of the members. All members allocate sufficient time for company business.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the general manager. Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date.

Each member is entitled to a single vote.

Information on external duties of the board members is disclosed to the shareholders via annual report and the Corporate Governance Compliance Report.

#### **4.5. Committees Established Within the Board of Directors:**

Corporate Governance, Audit, and Early Identification of Risk Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the committees, their working principles, and members are designated by the board of directors and disclosed to public on the company's web site and on the Public Disclosure Platform.

All members of the Audit Committee are elected among the independent board members. Also the chairmen of the Corporate Governance and Early Identification of Risk Committees are elected among the independent board members. The Corporate Governance Committee has three members, while the other committees are composed of two members each. The chairman of the board and the general manager are not on the committees. With the exception of "Investor Relations Unit" manager who serve on the Corporate Governance Committee, as per corporate governance principles there are no other executive members on the committees. A non-independent member of the board serves on two committees.

All necessary resources and support needed to fulfill the tasks of the committees are provided by the board of directors. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

The frequency of committee meetings is sufficient, all activities are documented and records are kept. Reports containing information about the activities and the resolutions of the meetings are submitted to the board of directors.

Audit Committee supervises the operation and efficiency of the company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the company regarding company accounting, internal and external independent audit systems, within the framework of

the principle of confidentiality and finalizes them, notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the company and the external auditor notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the company's accounting principles, true and accurate. The committee has convened eleven times during the course of reporting period and reached four resolutions.

Audit Committee members possess the qualifications listed in the Corporate Governance Principles communiqué.

The annual report contains information on activities and meeting resolutions of the Audit Committee and number of written notices given to the board of directors in the reporting period.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the audit committee to the board.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the "Investor Relations Unit". The committee convened seven times during the course of the year.

The Corporate Governance Committee carries out the duties of the Nomination Committee and Remuneration Committee, since they are not established. The proposals for independent board membership candidacy are evaluated by taking into consideration whether the candidates possess the criteria for independence under the applicable legislation and these assessments are documented. Working principles of the committee are revised within the reporting period.

Creation of a transparent system for identification, evaluation and training of suitable candidates for the board of directors and determination of policies and strategies in this respect as well as regular evaluation of the structure and productivity of the board of directors and submission of its recommendations to the board members on changes that can be implemented on these matters have all been designated as the responsibilities of the committee in its charter. The committee decided to initiate such studies and our observations will continue.

The Corporate Governance Committee has discussed the determination of board members' remuneration and agreed on a recommendation. A company remuneration policy, in which the remuneration of board members and managers with administrative responsibility is determined and publicly announced on the corporate web site.

Revising, changing and re-evaluation of principles, criteria and applications on remuneration, and submission of the views to the board in the upcoming reporting periods and when necessary, will be closely monitored by us.

The Early Identification of Risk Committee carries out its tasks towards early detection of risks which

may jeopardize the company's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems and finalizes relevant reports. The committee has convened nine times during the course of the year and reached ten resolutions.

#### **4.6. Remuneration of the Board of Directors and Senior Management:**

The board of directors explained in the annual report whether the operational and financial targets disclosed to the public are met or not, along with reasons behind possible shortcomings. The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders' attention as a separate item at the general shareholders' meeting held on 29 March 2012. A remuneration policy prepared for this purpose can be found on the corporate web site.

Stock options or performance based payments are not included in the remuneration package of the independent board members. Their remuneration is designated at a level to maintain their independence

İş Leasing does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties. The executives comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

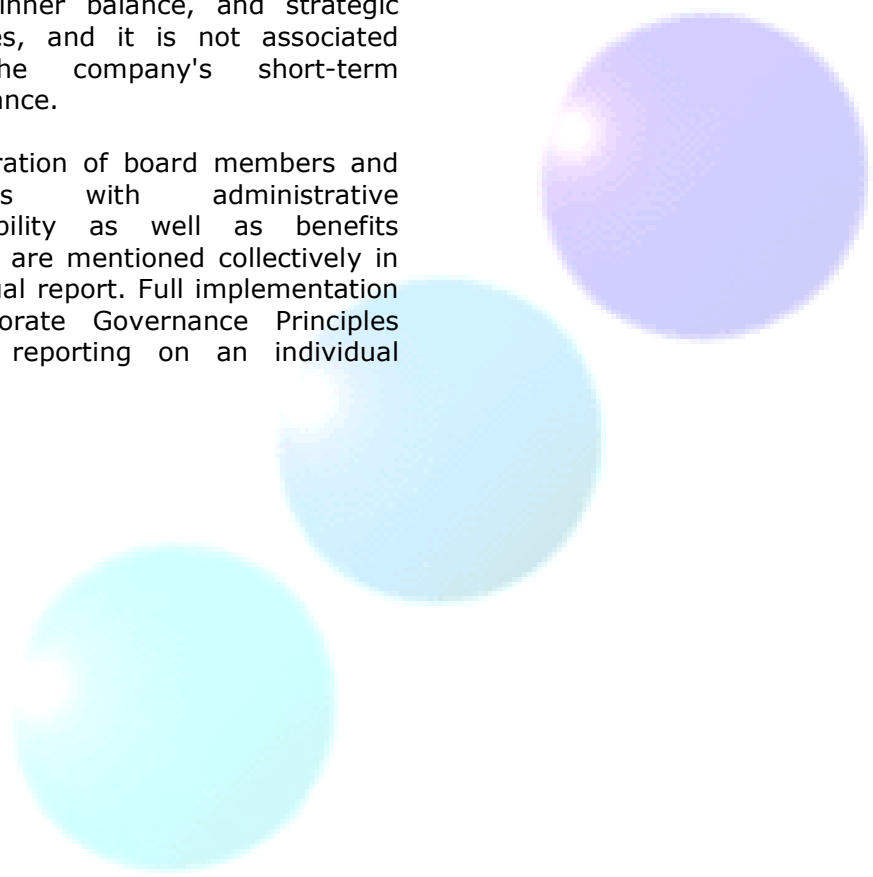
There has been no cases where the executives used confidential and non-public company information in favor of themselves or others. There are no

executives who accepted a gift or favor directly or indirectly related to the company's affairs, and provided unfair advantage.

Losses incurred by the company as a result of possible misconduct by the members of the board of directors are insured.

Remuneration of executives is consistent with the company's ethical values, inner balance, and strategic objectives, and it is not associated with the company's short-term performance.

Remuneration of board members and managers with administrative responsibility as well as benefits provided are mentioned collectively in the annual report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.



## Rating Definitions

Rating	Definition
9 - 10	The company performs <b>very good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs <b>good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs <b>fair</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs <b>weakly</b> as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs <b>very weakly</b> and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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