

Corporate Governance Rating Report

YAZICILAR

9 October 2014

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Rating and Executive Summary

YAZICILAR HOLDING A.Ş. (YAZIC)

 **SAHA**
Corporate Governance Rating:

9.13



MAIN SECTIONS: Avg. 91.30

Shareholders: 86.26



Public Disclosure & Transparency: 95.92



Stakeholders: 95.12



Board of Directors: 89.96



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

Corporate Governance Rating for Yazıclılar Holding A.Ş. is upgraded as 9.13 from the previous setting of 9.07 dated 11 October 2013. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

The company's corporate governance rating is revised as above in consideration with the importance given by Yazıclılar Holding A.Ş. to corporate governance principles, its willingness to carry out the continuous and dynamic process, and improvements which had been initiated in this direction since the previous rating.

Additionally, Yazıclılar Holding takes place in the World Corporate Governance Index (WCGI) published by SAHA on July 3, 2014. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com>.

Yazıcılar Holding is rated with **8.63** 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. Yazıcılar Holding carries out the investor relations obligations through the Investor Relations Department. 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 dividend policy of the company and it is disclosed to the public. On the other hand, there are areas for improvement like the rate of minority rights in the company's articles of association as prescribed for public joint stock companies (%5), absence of a donation policy, and existence of privileges to nominate candidates to the board of directors.

Yazıcılar Holding attained **9.59** under the **Public Disclosure and Transparency** chapter. The company has a comprehensive web site. Public announcements are made via all communications channels and are in accordance with the Capital Markets Board (CMB) and Borsa Istanbul (BIST) rules and regulations. Annual report complies with the legislation, it is comprehensive and informative. The agreement and work conducted with the external auditor also complies with the legislation. Nevertheless, non-disclosure of the benefits provided to board members and senior management on individual basis is an area in need of further refinement.

On the topic of **Stakeholders**, Yazıcılar Holding scored **9.51**. The company has a written and advanced human resources policy. Code of ethics is publicly available through the company's web site. The company complies with environmental laws. Corporate Social Responsibility and Sustainability work is satisfactory. Nevertheless, a written compensation policy for the employees is not yet established.

From the perspective of the principles regarding the **Board of Directors**, Yazıcılar Holding's tally is **9.00**. The board of directors fulfills all duties regarding company needs. The board of directors consists of 6 members and 2 of them are independent. A Corporate Governance Committee, an Audit Committee, and a Committee for the Early Detection of Risks are established within the board of directors. The working principles of the committees are disclosed to the public. Principles of remuneration of board members and senior executives are included on the corporate web site. However, there are areas for improvement; in addition to the absence of a female member of the board of directors, any losses incurred by the company caused by board members are not insured with an amount exceeding 25% of the capital of the company as specified in the Corporate Governance Principles Communiqué.

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, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, Istanbul Stock Exchange 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 the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of these Principles is advisory and its application is optional. 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 the public.

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

Based on these Principles, 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

YAZICILAR HOLDING A.Ş	
YAZICILAR	CHAIRMAN Salih Metin Ecevit GENERAL MANAGER Dr. Sezai Tanrıverdi
Fatih Sultan Mehmet Mahallesi, Balkan Caddesi, No:58 Buyaka (E) Blok Kat:6 Tepeüstü, Ümraniye, İstanbul www.yazicilarholding.com.tr	Corporate Governance and Investor Relations Assistant Coordinator İrem Çalışkan Dursun Tel: (0216) 578 8559 Fax: (0216) 573 7464 irem.caliskan@anadolugroup.com.tr

Yazıcılar Holding A.Ş. is a company incorporated in İstanbul on 1976 is a holding company of which majority shares are owned by Yazıcı families.

The company is a partner of Anadolu Group who is primarily engaged in the sectors of beverage, automotive, retail, finance and energy. The Group holds 68% of shares in Anadolu Endüstri Holding A.Ş., which is the holding company of Anadolu Group, and various stakes in its subsidiaries.

Companies operating in various fields such as real estate, information technology and asset management are also included in the Anadolu Group. Yazıcılar Holding has no other operations outside the interests of Anadolu Group.

According to the information contained in the annual report of the company, as of end of June 2014 Yazıcılar Holding's total market value is 1.4 billion US Dollars and foreign holders of public shares is around 61%.

The company shares are traded under "YAZIC" code at BIST and Yazıcılar Holding is a constituent of BIST Holding and Investment, BIST İstanbul, BIST Corporate Governance, BIST Financials, BIST Dividend, BIST All Shares, BIST National, BIST 100, BIST 100-30 and BIST 50 indices.

The capital structure of the company is as follows:

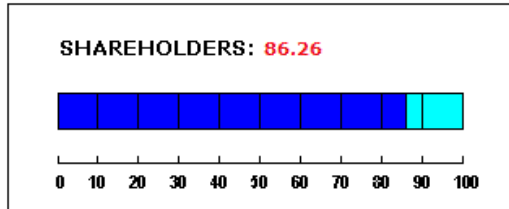
Yazıcılar Holding A.Ş. Capital Structure		
Shareholder	Amount (TL)	Percentage %
Kamil Yazıcı Yönetim ve Danışma A.Ş.	53,687,096	33.55
Yazıcı Family Members	61,115,486	38.20
Public Shares (*)	45,197,418	28.25
	160,000,000	% 100

(*) 3.17% (TL 5,073,492) is owned by Kamil Yazıcı Yönetim ve Danışma A.Ş.

The Board of Directors of the company is as follows:

YAZICILAR HOLDING BOARD OF DIRECTORS		
Name	Title	Executive/Independent
Salih Metin Ecevit	Chairman	Non-executive
İbrahim Yazıcı	Vice Chairman Corporate Governance Committee Member	Non-executive
Süleyman Vehbi Yazıcı	Board Member	Non-executive
Rasih Engin Akçakoca	Board Member Member of the Committee for the Early Detection of Risks	Non-executive
Can Arıkan	Board Member Chairman of Corporate Governance and Audit Committees	Independent Member
Hasan Karaağaç	Board Member Chairman of the Committee for the Early Detection of Risks / Audit Committee Member	Independent Member

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Active investor relations department
+	General shareholders' meetings are conducted in compliance with the legislation
+	Preparation and disclosure prior to general shareholders' meetings are satisfactory
+	Dividend policy exists and disclosed to the public
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
-	There is no policy on donations
-	Privileges in nominating board members

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The company carries out investor relations obligations through the Investor Relations Department.

Employees of this department are active and willing on exercise of corporate governance principles at the company.

Along with the members of the partnership the Investor Relations Department plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review

information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the company.
- To ensure the general assembly meeting is held in compliance with the applicable legislation, articles of association and other company by-laws.
- To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Investor Relations Department submits a report to the board of directors at least once a year on its conducted activities.

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

Investor Relations Manager of the company, İrem Çalışkan Dursun is holder of Capital Market Activities Advanced Level License and Corporate Governance Rating Specialist License

as stated in the Corporate Governance Principles Communiqué.

1.2. Shareholders' Right to Obtain and Evaluate Information:

We did not come across to any hindering process or application within the rating period regarding the appointment of a special auditor at the request of shareholders.

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

The company has constituted a disclosure policy and submitted to shareholders at the general shareholders' meeting, and disclosed it to the 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 general shareholders' meeting held on 21 April 2014 is performed through all means of communication on 26 March 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, following documents are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the company, and the electronic media;

- the annual report
- financial statements and reports
- all other related documents pertaining to the agenda items
- dividend distribution proposal

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

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

b. grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of the relationship of the company and related parties, whether it has the

quality of independence 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.

Chairman of the meeting made preparations for the execution of the general assembly and obtained necessary information in line with the Turkish Commercial Code, the law and legislation.

General shareholders' meetings took place at the company headquarters.

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. The chairman made sure that each question is answered directly at the meeting provided that they do not constitute a trade secret.

Agenda of the general shareholders' meeting included the proposal for the permission to be granted to shareholders who have control of the management, members of the board of directors, managers with administrative responsibility, their spouses and up to second degree blood relatives to execute transactions and compete with the company and/or its affiliates, to make a commercial business transaction for himself or on behalf of others or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility and it has been declared that there has been no such proceeding.

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

In addition, shareholders are informed, with a separate agenda item, on all donations effectuated during the period and the amount of benefits and beneficiaries at this meeting.

However, even though the issue was partly addressed in the articles of association, there is no general policy on donations and grants to be effectuated.

The provisions of the articles of association of the company allow the attendance of those including stakeholders and media with no voting rights.

General shareholders' meeting is attended by the representative of the independent auditor.

1.5. Voting Rights:

At Yazıcılar Holding all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and the company avoids applications that make it difficult to exercise voting rights.

There are provisions in the articles of association that grant privileges on board nominations. The distribution of the shares of such privilege groups is indicated in the following table.

28.3% of the company's publicly traded shares are included in Group A bearer shares.

Yazıcılar Holding Share Groups (30.06.2014)	% of Total Capital	Suffrage for Board Members
A (Bearer)	54.89	1
B (Registered)	20.00	3
C (Registered)	12.02	1
D (Registered)	13.09	1
Total	100.00	6

1.6. Dividend Rights:

The dividend policy of Yazıcılar Holding is clearly defined. It is submitted to the shareholders' approval at the general shareholders' meeting and disclosed to the public on the company's web site. The company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

As mentioned on the dividend policy document, conviction is reached that a balanced policy is followed between the interests of the shareholders and that of the company.

In addition, the articles of association of the company contain a provision on advance dividend payments.

There are no privileges on participation in the profits.

The dividend distribution proposal of the board of directors was accepted as it is at the general shareholders' meeting of 21 April 2014. It was decided for a dividend distribution of TL 20,000,000 on the profit for the fiscal year 2013, corresponding to gross 12.5% of the paid-in capital as follows;

- Shareholders who are full taxpayer institutions would

receive a dividend of TL 0.1250 corresponding to 12.5% gross=net cash for each share at the nominal value of TL 1.00.

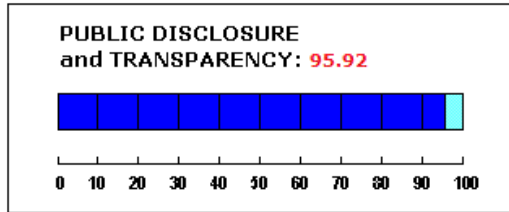
- Individual shareholders will receive a dividend TL 0.10625 corresponding to gross 12.5% and net 10.625% cash for each share at the nominal value of TL 1.00.

1.7. Transfer of Shares:

No difficulties on free transfer of shares are observed.

There are no provisions in the articles of association that impede transfer of bearer shares, but there are regulations on transfer of registered shares which represent 45% of the total capital. These shares have transfer priorities in their groups. The transfer of registered shares is realized following the decision of the board to record them in the share register. Provisions relating to the transfer of such shares are mentioned in the article 8 of the articles of association of the company.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used for public disclosure, English version exists
+	Annual report complies with the legislation, comprehensive and informative
+	Agreement and studies conducted with external auditors comply with the legislation
-	Benefits provided to board members and senior management not listed on individual basis

2.1. Corporate Web Site:

Company's website (www.yazicilarholding.com.tr) 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 company's website includes; trade register information, information about latest shareholder and management structure, information on privileged shares, 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, annual reports, periodical financial statements, 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 including requests for information, questions and notices, and responses thereof.

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

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the company also discloses financial statements on KAP (Public Disclosure Platform) and simultaneously in English.

The information contained on the website exists also in English for the benefit of international investors.

The company's web site also includes; investor presentations, working principles of the committees, important board decisions, information on capital increases and dividend payments, general shareholders' meeting internal guidelines, information on senior management, financial data, main ratio analysis, timetable on events/developments which considers investments, web site privacy/security policy and the human resources policy.

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 and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates),
 - c. the sector in which the entity operates and information on its position in the sector,
 - d. qualifications of the production units, capacity utilization rates, general explanations related to sales volume and price, sales conditions and yearly developments, productivity rates and causes of significant changes compared to previous years,
 - e. progress on investments, the eligibility status on incentives, and to what extent,
 - f. changes and justifications on the articles of association during the 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 and any changes in the related accounting period,
 - k. all benefits provided to staff and workers, information on number of personnel,
 - l. declaration on privileged shares and their amount,
 - m. information on board members' 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,
 - n. research and development activities,
 - o. dividend distribution policy,
 - p. basic ratios on the financial position, profitability and solvency,
 - q. the company's financing resources and risk management policies,
 - r. 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 issues also took place in the annual report;
- a. external duties of board members and executives, their declarations of independence,
 - b. members of the committees within the board, assessment of their working principles,
 - c. the number of board meetings held during the year and status of participation of the members,
 - d. major court cases against the company and possible consequences,
 - e. information on direct contributions to capital ratio with cross shareholding investments in excess of 5%,
 - f. benefits and vocational training of employees, and other company activities that give rise to social and environmental results,
 - g. rating results.
- On the other hand, benefits provided to board members and senior executives are mentioned collectively, but in terms of Corporate Governance Principles it is essential that this

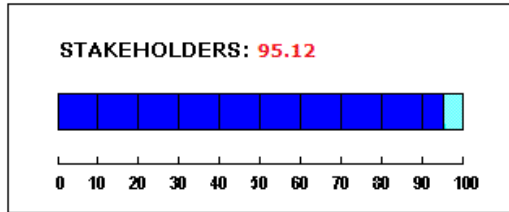
information is given on an individual basis.

2.3. External Audit:

The external audit of the company is conducted by Bařaran Nas Bađımsız Denetim ve Serbest Muhasebecilik Mali Mőşavirlik A.ř., a member of PricewaterhouseCoopers group with a worldwide experience.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a conditional opinion.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Efficient human resources policy
+	Strict quality standards in holding companies' business and operations
+	Code of ethics established and disclosed to the public
+	The company complies with environmental laws, Corporate Social Responsibility and Sustainability studies are at high levels at companies within the Holding
-	No written employee compensation policy

3.1. Company Policy Regarding Stakeholders:

We have not come across a significant or repetitive situation in which the rights of stakeholders established by any law or agreement are not recognized. The company's corporate governance practices are in top level and Yazıcılar Holding recognizes the rights of stakeholders established by law or through any other mutual agreement.

It is declared in the Corporate Governance Compliance Report that Anadolu Group Human Resources Policy is utilized in informing the employees and the company is engaged in the management of its subsidiaries and participations, and there are no significant relations with

stakeholders such as customers, suppliers, creditors or labor unions. Hence, there is no related information policy directed for those parties.

It is also specified in the Corporate Governance Compliance Report that 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. Accordingly, the Audit Committee is responsible for monitoring whether a system regarding compliance to the company's code of business conduct and ethical rules is established by the management. Additionally, the Audit Committee reviews whether the management monitors company's compliance to code of business conduct and code of ethics, makes fraud risk assessments and gives code of business conduct and fraud and code of ethics trainings to company employees.

In addition, company officials declared that the company's purchasing policy is based on offers by evaluating the best two to realize purchases.

However, Yazıcılar Holding has not yet established an employee compensation policy.

3.2. Stakeholders' Participation in the Company Management:

The company has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the company. An "Employee Satisfaction and Loyalty Survey" is developed in this context as

a channel where employees can express their wishes and improvement demands. This survey is conducted once a year. Also, employees can share their proposals via Anadolu Group's Innovation Portal (ino-port) system. Employee views are also received through the "Employee Loyalty Survey".

3.3. Company Policy on Human Resources:

The company's human resource practices are carried out under the Human Resources Policy of the Anadolu Group. In line with this policy, the following principles have been adopted in general;

- Aiming to establish a human resources force with global vision and capabilities, in disregard of any cultural differences.
- Targeting to increase the motivations and capabilities of its employees thereby contributing to the increase of the value-added for the whole organization.
- Adopting a human resources culture, in which each employee involved works in a team with knowledge and searches for even better, in an environment of open communication and mutual trust.
- Disregarding any race, nationality, religious, gender, and belief differences in its employee relations. The differences and cultural varieties between the employees are seen as a chance for further development.

- Providing a safe and sound work environment for its employees and taking necessary precautions for their health as an important working principle.
- Acting respectfully against the rights of employees due to laws and regulations.
- Giving great importance to education at each stage and level in terms of career development of employees.

Company officials have declared that in cases which management reshuffling could cause disruptions, succession planning for determination of new manager appointments is in place.

All rights provided to employees are exercised fairly, training programs and policies are put in place to enhance employees' knowledge, skills and manners.

There are very few employees at the company and there is no active trade union. However there are active unions in the institutions within the holding company.

3.4. Relations with Customers and Suppliers:

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

We have witnessed no evidence on non-market pricing of goods and services at the company's business and operations.

3.5. Ethical Rules & Social Responsibility:

The company has prepared a set of code of ethics and disclosed it to the public on its web site.

"Anadolu Group Working Principles" report prepared by Anadolu Group Human Resources and Industrial Relations Presidency is disclosed to all employees within this context.

On the other hand, Anadolu Group Working Principles - Appendix prepared for Group companies to enhance compliance with the capital market regulations and corporate governance practices in Anadolu Group is enacted through board resolution dated 6 April 2009 and updated through board resolution of 26 March 2014. This document reminds the legislative obligations regarding insider trading to the Group employees who are on the list of people with access to inside information and also brings up the "Restricted Period" application, which bans the trading of related Group companies' shares for those who are again on list of people with access to inside information.

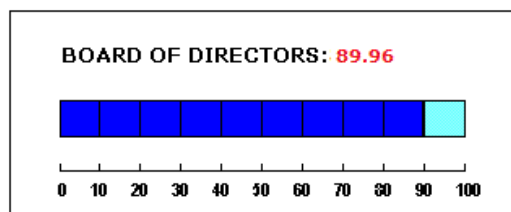
The company has contributed more than 50 long lasting pieces related to education, health and social areas to the country through Anadolu Education and Social Assistance Foundation, which is supported by Anadolu Group companies. The most important project of the Foundation, Anadolu Medical Center, which is located within Anadolu Health Village in İzmit Gebze started operating as a general hospital in February 2005. Anadolu Medical Center is in strategic cooperation with Johns Hopkins Medicine, which is one of the leading healthcare organizations in the United States and while the hospital offers services in all branches, it is specialized especially in heart, cancer and hematology fields.

On the other hand, Anadolu Efes Sports Club which is established in 1976 by Anadolu Group in order to contribute to the development of sports is accomplishing success in basketball across Europe. Free of charge basketball schools organized by Anadolu Efes Basketball Club is opening the doors of a brighter future by teaching basketball to the younger generations through qualified instructors.

3.6. Sustainability:

Although there is no operation of the Holding on its own, sustainability practices of companies within the Holding such as CCI and Anadolu Efes is satisfactory. In this sense the company has a policy, internal regulations, objectives, initiatives and campaigns on environment, nature, energy saving, recycling and education issues.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The board is staffed with effective and highly qualified members
+	Board of directors meeting and decision quorum is defined in the articles of association
+	Conduct of the board meetings is defined in writing with internal regulations
+	Each board member is entitled to a single vote
+	2 independent members on the board
+	Auditing Committee, Corporate Governance Committee and the Committee for the Early Detection of Risks established
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
-	No female members on the board
-	Losses incurred by the company caused by board members are not insured with an amount exceeding 25% of the capital of the company

4.1. Functions of the Board of Directors:

We have reached to the conviction that 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.

4.2. Principles of Activity of the Board of Directors:

We have come to a conviction that the 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 various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the committees.

The presence, functioning, and effectiveness of internal controls and internal audit, is explained in the annual report.

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.

On the other hand, any losses incurred by the company caused by board members are not insured with an amount exceeding 25% of the capital

of the company as specified in the Corporate Governance Principles Communiqué.

Analyzing the company's organization, it is seen that there is no person in the company who has unlimited authority to make decisions alone and this is considered as positive by us.

4.3. Structure of the Board of Directors:

The company's board of directors is composed of 6 members and all of them are non-executive. Among the non-executive board members there are 2 independent members who have the ability to execute their duties without being influenced under any circumstances as specified in the communiqué.

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.

However, there are no female members on the board.

On the other hand, company officials declared that there is a defined internal policy and a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female membership rate on the board of directors.

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

The board of directors of the company held 32 meetings in the operating period of 2013. 23 of these meetings were held with full participation. 8 meetings were held with 1 absence and 1 meeting was held with 2 absentees. Participation in meetings is considered sufficient by us.

Chairman of the board of directors sets the agenda for board meetings in consultation with the chief executive officer / 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 by a coordinated flow of information. Each member of the board has a right to one vote.

The meeting and decision quorums have been included in the articles of association of the company. In addition, board meetings can also be held in a remote access system.

The conduct of the board of directors meetings is documented in the articles of association of the company.

There are no limitations introduced for the members taking on additional duties outside the company. However, only the independent members carry on external duties. The external duties and grounds of the board members are presented to the general shareholders' meeting where their nomination is discussed, with a distinction between intra-group and out-group activities.

4.5. Committees Established Within the Board of Directors:

Corporate Governance Committee, Audit Committee, and the Committee for the Early Detection of Risks are

established from within the board of directors in order to fulfill its duties and responsibilities.

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

All members of the Audit Committee and the chairman of the Corporate Governance Committee and the Committee for the Early Detection of Risks are elected among the independent board members. The chief executive officer / general manager and the chairman of the board of directors are not on the committees. With the exception of independent members, care is taken to avoid appointment of a board member on multiple committees.

The manager responsible for investor relations, İrem Çalışkan Dursun is appointed as a member of the Corporate Governance Committee in terms of compliance with the Communiqué in question. There are no other executive members on the committees.

All necessary resource and support needed to fulfill the tasks of the committees are provided by the board of directors.

Committee meeting frequency has been found sufficient by us. In 2013 operating period; Corporate Governance Committee held 4 meetings, the Auditing Committee held 5, and the Committee for the Early Detection of Risks held 4 meetings.

The Corporate Governance Committee is established in order to determine whether or not 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 imperfect 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 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, immediately 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.

In addition, Audit Committee members possess the qualifications mentioned in the Communiqué.

The annual report contains information on working principles of the Audit Committee and number of written notices given to the board of directors in the fiscal year.

The external audit of the company is conducted by Başaran Nas Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers group with a worldwide experience. The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the auditing committee to the board and ends with

the board's choice being presented and approved at the general shareholders' meeting.

The Committee for the Early Detection of Risks 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.

The tasks of Nomination and Remuneration Committees are performed by the Corporate Governance Committee. In this context the corporate governance committee works on determination of independent candidates and the remuneration policy.

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

The principles of remuneration of board members and senior executives has been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on company's web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

The company 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.

We have come to conclusion that the executives have the required professional qualifications in order to perform the assigned duties and they 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.

Remuneration of the executives is based on market conditions and determined according to their qualifications, and proportional to their contributions to the performance of the company.

Company officials declared that there is an insurance policy on compensation for losses incurred by the company, and third parties, as a result of not performing the executives' duties duly.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good 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 good 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 fair 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. 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 weakly 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 very weakly 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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