

CORPORATE GOVERNANCE OVERVIEW OF TURKEY FOR FOREIGN INVESTORS

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CORPORATE GOVERNANCE OVERVIEW OF TURKEY FOR FOREIGN INVESTORS

Table of Contents

Overview of
Turkish Capital
Markets and Main
MacroEconomic
Indicators

03

Corporate
Governance in
Turkey and
Mandatory
Principles

11

Corporate
Governance
Rating

16

Borsa Istanbul
Corporate
Governance Index

18

Mandatory &
Voluntary Reporting

21

Corporate
Governance
Association of
Turkey

25

References

28

OVERVIEW OF TURKISH CAPITAL MARKETS AND MAIN MACROECONOMIC INDICATORS

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Main Indicators

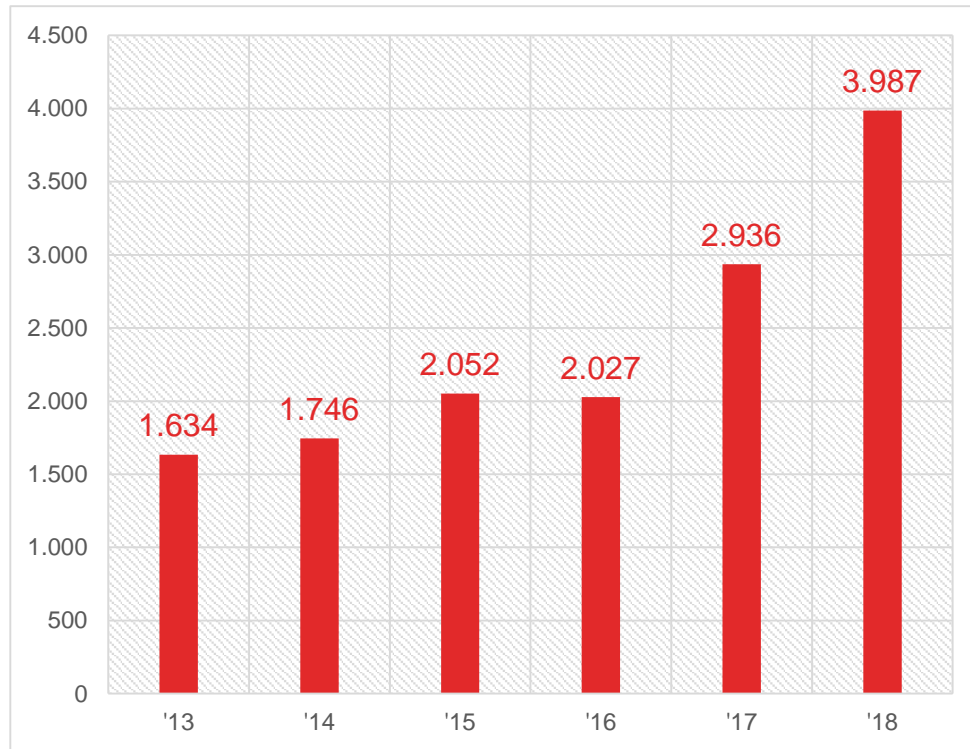
Main Indicators	2017	2018
GDP Growth (%)	7.4	2.6
Inflation (%)	11.9	20.3
Benchmark Bond Yield (%) – 2 Year Average	11,8	18,6
Equity Market Trading Volume (TL mn)	1.442.296	1.962.673
BIST - 100 Index	115.333	91.270
Foreign Direct Investments (\$ bn)	8.8	9,5
Foreign Portfolio Investments (\$ bn)	24.5	(3,0)
Mergers&Acquisitions (\$ bn)	7,4	9,3
IPO Size (TL bn)	1.2	8.4
Corporate Bond Issuances Size (TL bn)	129.4	179.0
# of Listed Companies (Including ETFs)	413	414

OVERVIEW OF TURKISH CAPITAL MARKETS AND MAIN MACROECONOMIC INDICATORS

Equity Market / BIST 100 Index Trading Volume

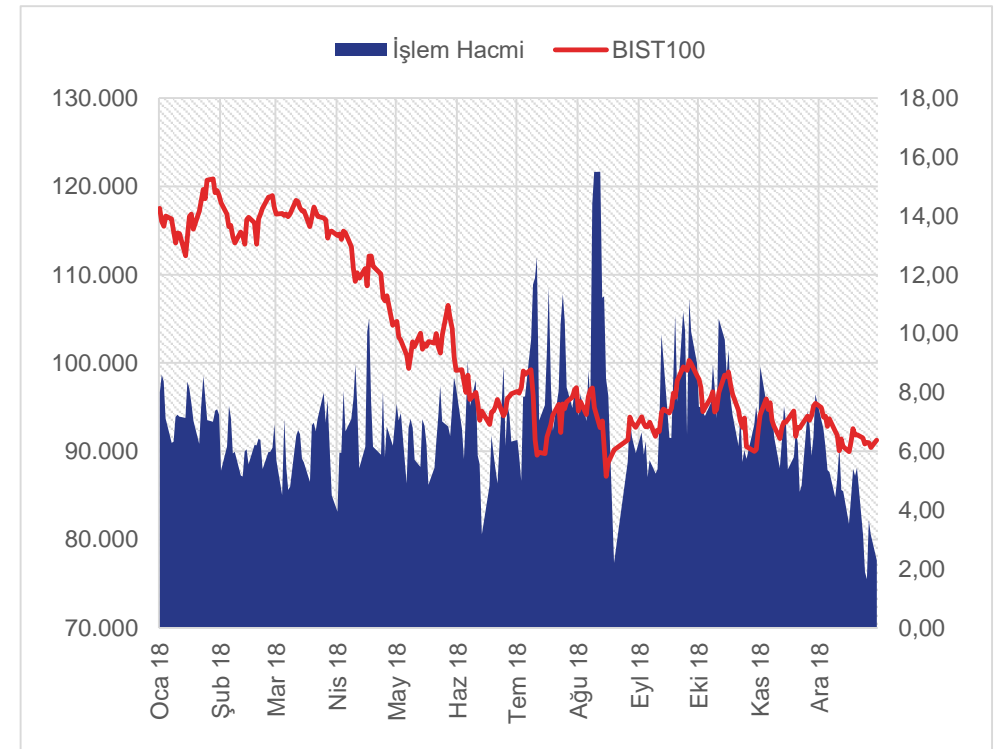
Interest rate hikes, currency volatility and the global risk tolerance caused the equity market trading volume to increase by 35.8% y/y.

EQUITY MARKET TRADING VOLUME (BILLIONS)



SOURCE Borsa Istanbul, Equity Market Data Market Transactions by Members

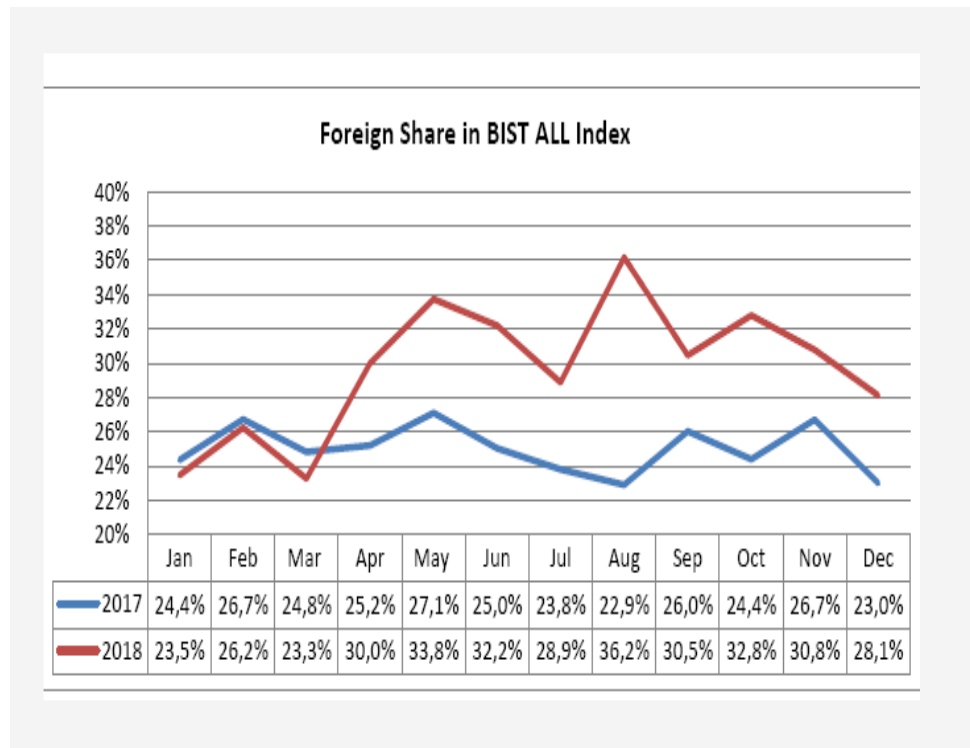
BIST 100 INDEX TRADING VOLUME & CLOSE PRICES



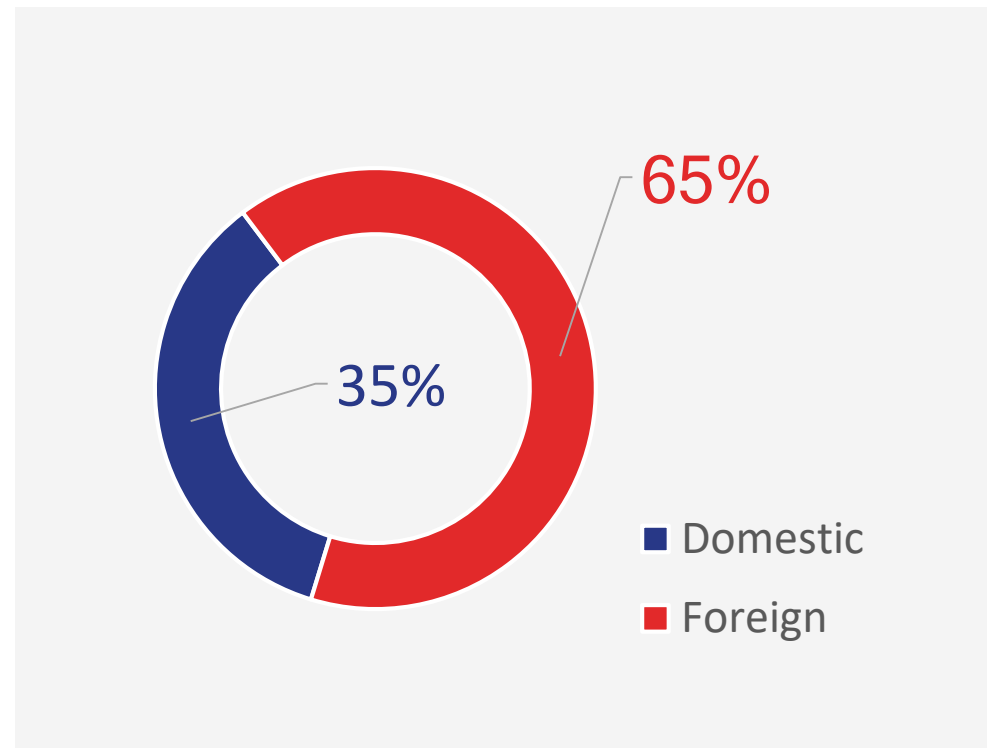
Investor Composition Borsa Istanbul Equity Market

Foreign investors generated 30% of the trading volume of the equity market despite they own 65% of the market capitalization.

FOREIGN TRADING SHARE IN EQUITY MARKET



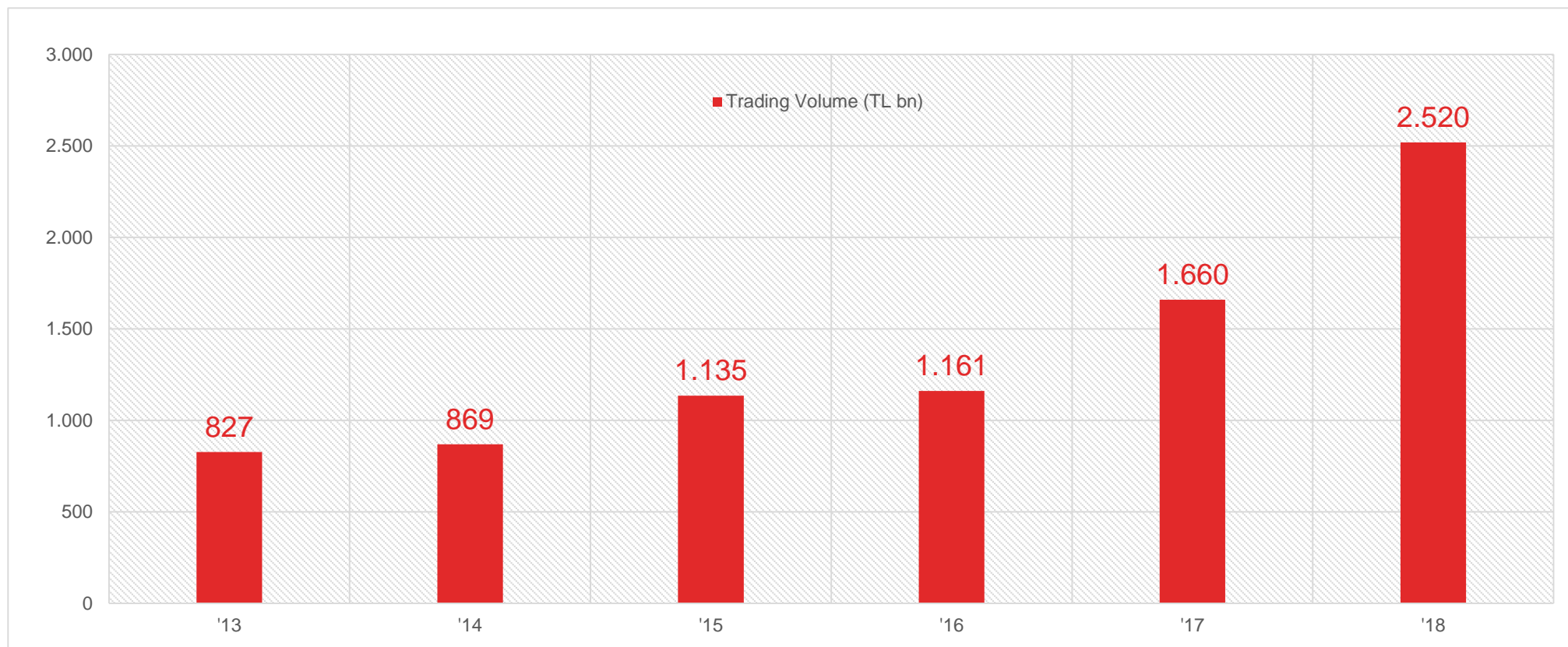
MARKET CAPITALIZATION OF EQUITY MARKET



SOURCE BIST Trends Report

Derivatives Market Trading Volume

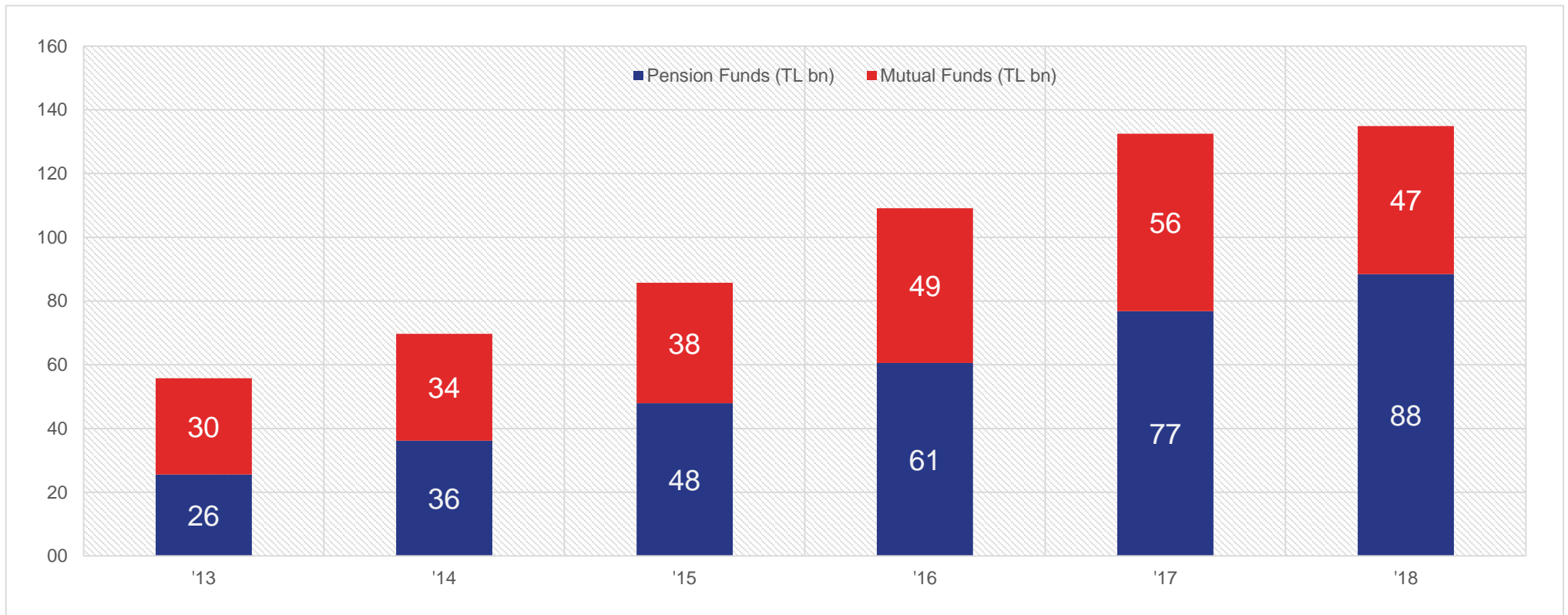
Currency futures trading continued to be eye-catching at derivatives market whereas trading volume of the market rised by 51.8% y/y.



SOURCE Borsa Istanbul, Derivatives Market Data

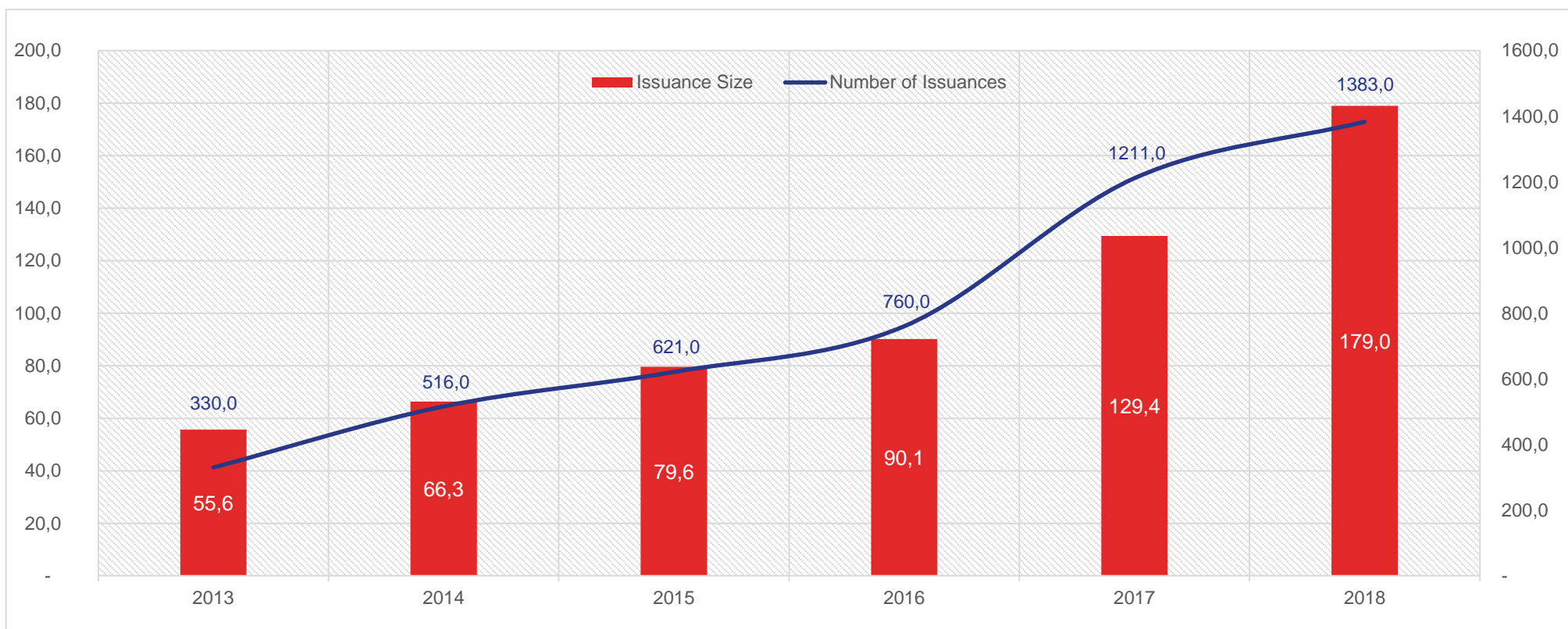
Assets Under Management

Total pension fund size continued to grow by 15% in 2018 against the high interest rates.



Debt Securities Issuances

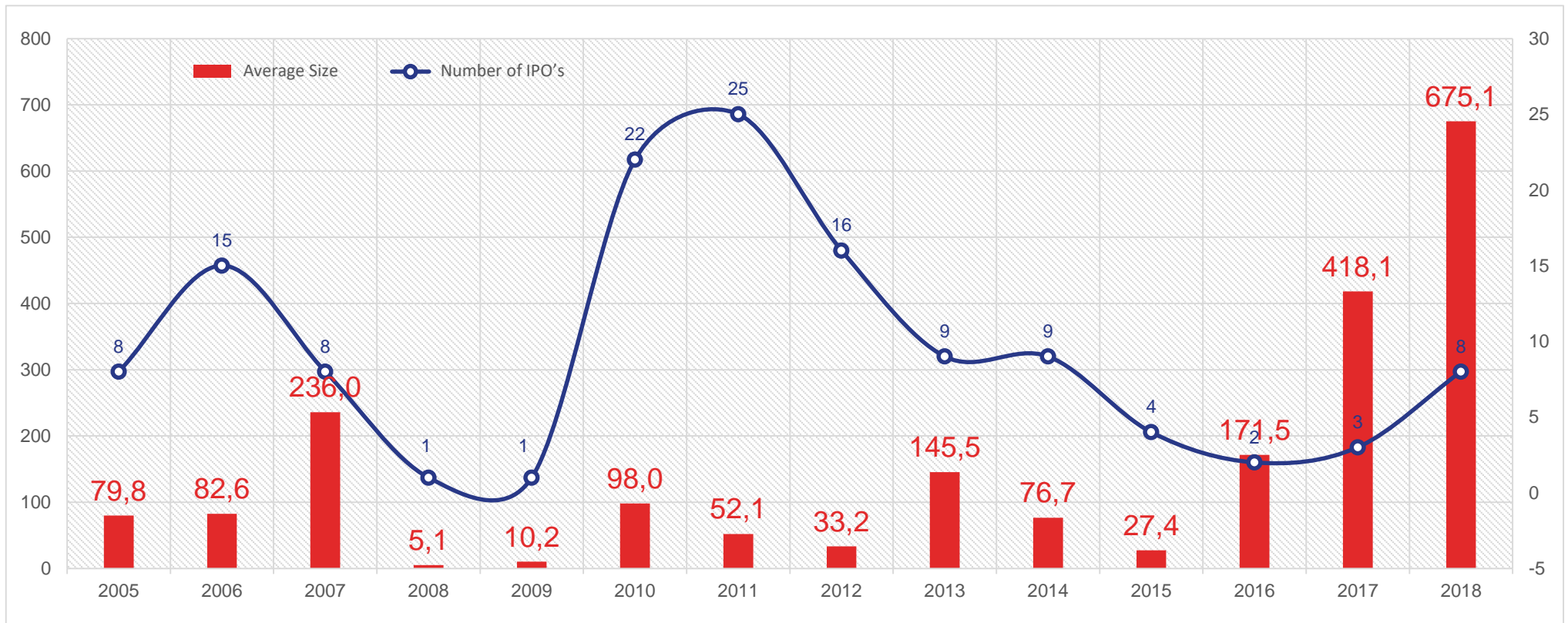
The nominal size of the total issuance of debt securities in 2018 reached TL 179 bn; financial sector issuances took 92% share.



SOURCE Borsa Istanbul

Equity IPOs

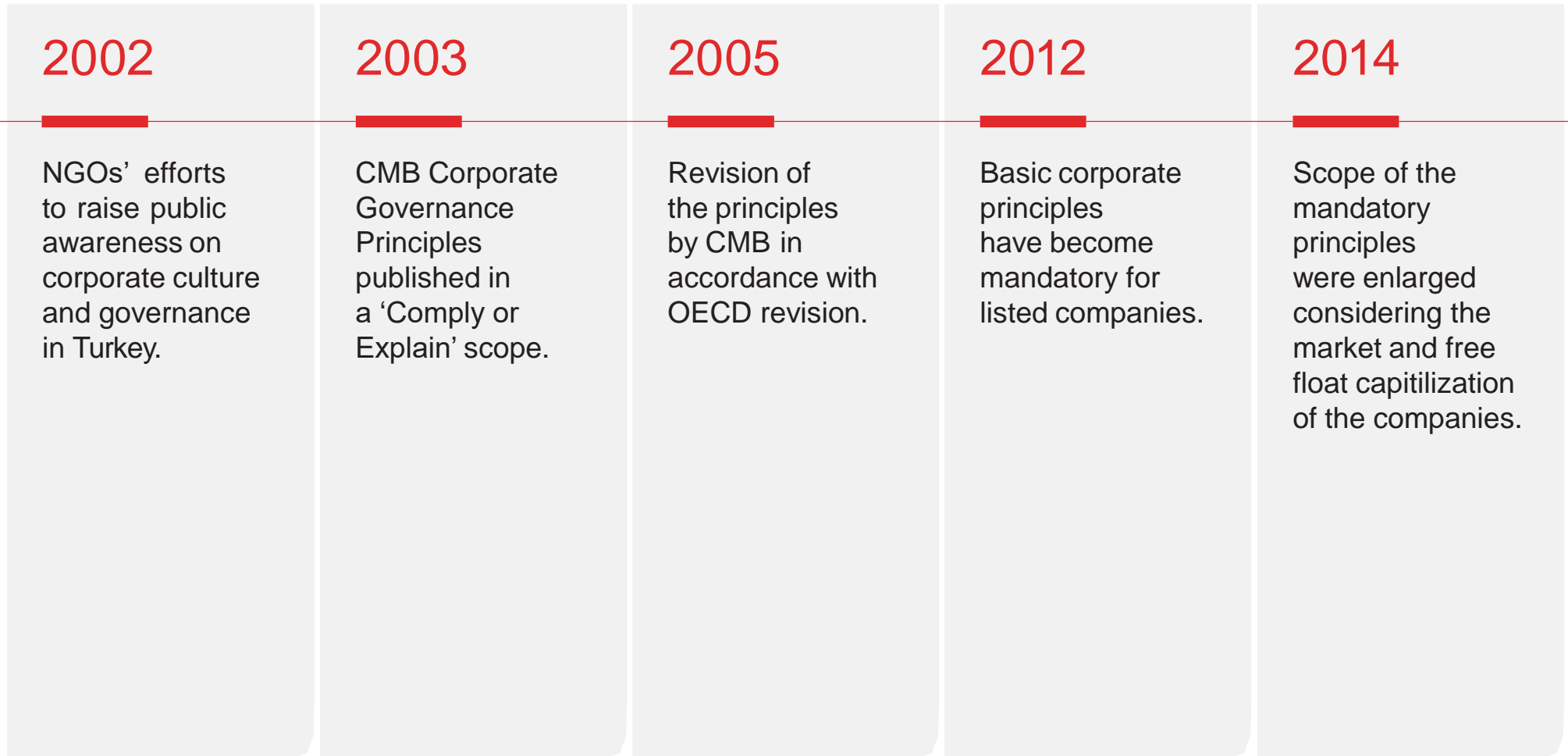
IPO size reached TL 8.4 bn increasing by 600% when compared to 2017.



*EXCLUDING PRIVATIZATIONS

CORPORATE GOVERNANCE IN TURKEY AND MANDOTARY PRINCIPLES

Brief History of Corporate Governance Stages in Turkey



Shareholders

Main corporate information such as ownership structure, privileged shares, voting rights, information on board member candidates and the agenda, should be disclosed at least 21 days before the AGM.

The chairman of the meeting shall be attentive in the general assembly meeting that the agenda items should be expressed in an objective and detailed manner with a clear and comprehensible method. Shareholders should be provided with equal opportunities to express their opinions, and raise questions.

Conflict of interest caused by a transaction (between the one has control power or management liability of the company and a third party) which is in the field of activity of the corporation or subsidiaries should be presented to the AGM.

A certain amount of related party transactions should be disclosed to public.



Board of Directors - I

In case it has been resolved that the chairman of the board of directors and the chief executive officer/general manager would be the same person, this situation shall be disclosed to public.

A majority of the members of the board of directors shall consist of members who do not have an executive duty.

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

The term of office of the independent members of the board of directors shall be up to three years and it shall be possible to nominated as a candidate and elected again.



Board of Directors - II

Audit Committee, Corporate Governance Committee and Risk Committee, Nomination Committee and Compensation Committee have to be formed by the Board of Directors. Corporate Governance Committee may fulfill the duty of the Nomination Committee and Compensation Committee due to the structure of the Board of Directors.

Duties, working principles and the members of the committee shall be determined by the board of directors and disclosed to public.

The Chairman of each committee shall be elected from among the independent members of the board of directors.

Chief executive officer/general manager shall not have a duty in the committees



CORPORATE GOVERNANCE RATING

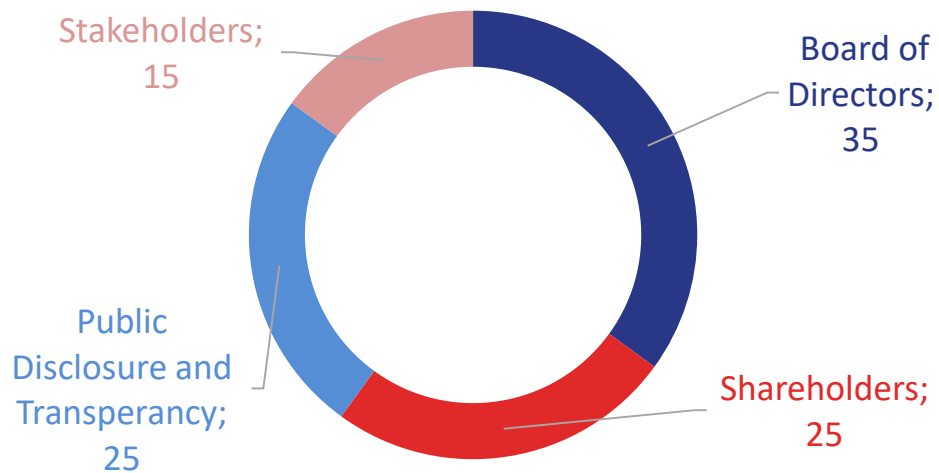


CORPORATE GOVERNANCE RATING

Corporate Governance Rating

Rating process mainly built on CMB Corporate Governance Principles and ratings should be done by rating agencies allowed by CMB

Rating weights of each main section;



Ratings received by listed companies should be disclosed to public



BORSA ISTANBUL CORPORATE GOVERNANCE INDEX



Borsa Istanbul Corporate Governance Index



Borsa Istanbul Corporate Governance Index (XKURY) started to be calculated 2007 aiming to measure the price and return performances of the index companies.

Listed companies with a corporate governance rating of minimum 7 over 10 as a whole and minimum of 6.5 for each main section would be selected to be traded at XKURY.

As of March 2019, there are 47 companies at XKURY.

Main factors that affect the development and return of the index;

Incentive measures should be taken for the listed companies by the regulators to be traded at the index.

Not only listed companies but also institutional investors should be encouraged to invest in the index.

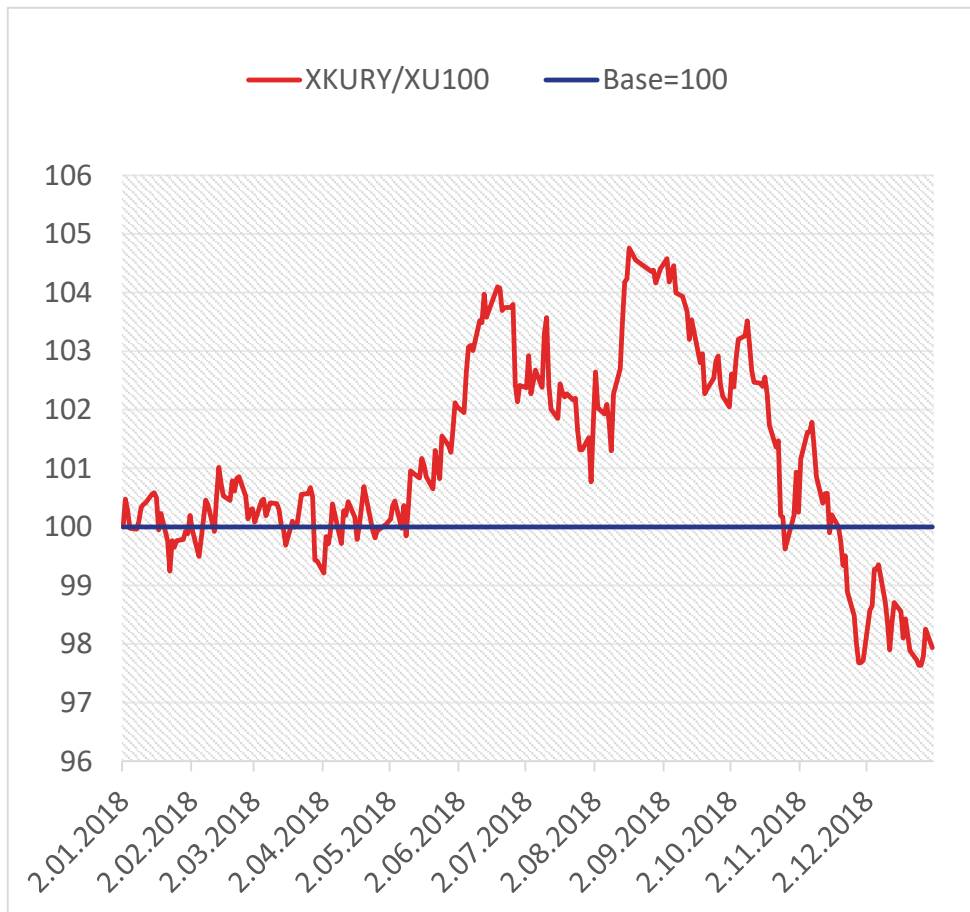
Marketing strategy should be improved to increase awareness of the index by foreign investors.

Companies should be constantly traded at the index.

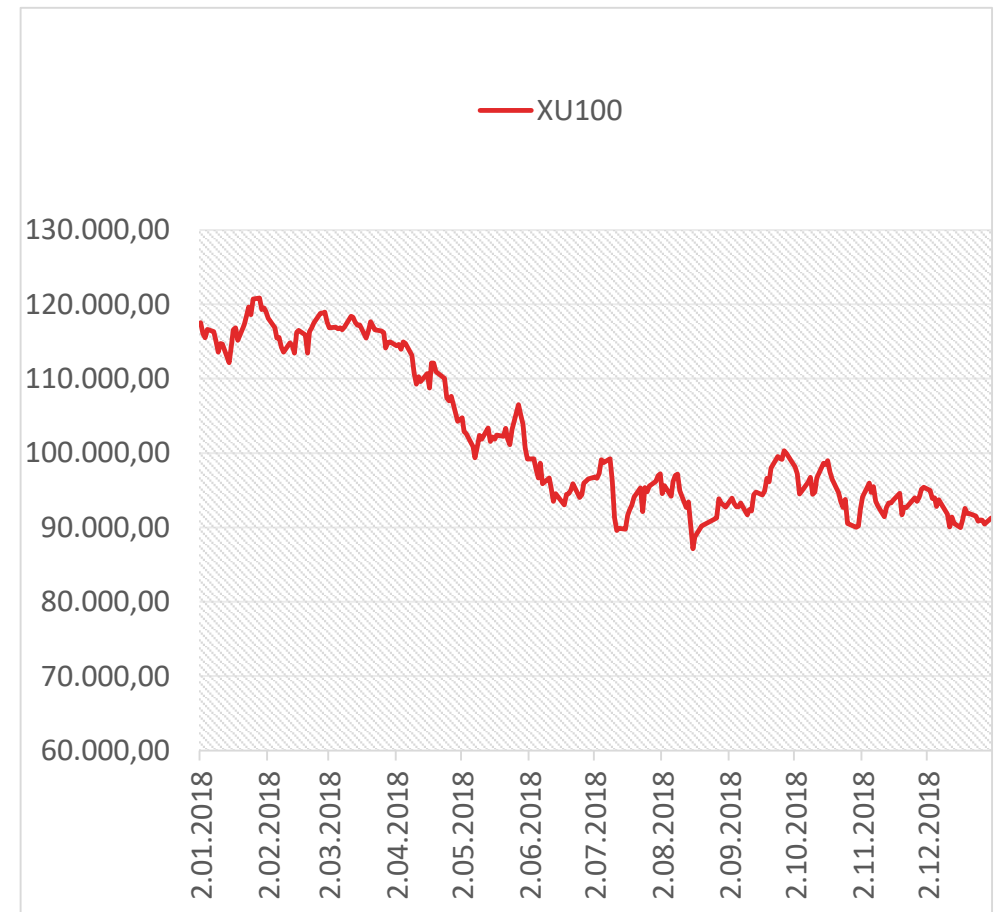
Leading companies of Borsa Istanbul in terms of reputation, daily trading volume and market capitalization should also be convinced to be traded at the index

Borsa Istanbul Corporate Governance Index

XKURY RELATIVE PERFORMANCE TO BIST 100



BIST 100 PERFORMANCE

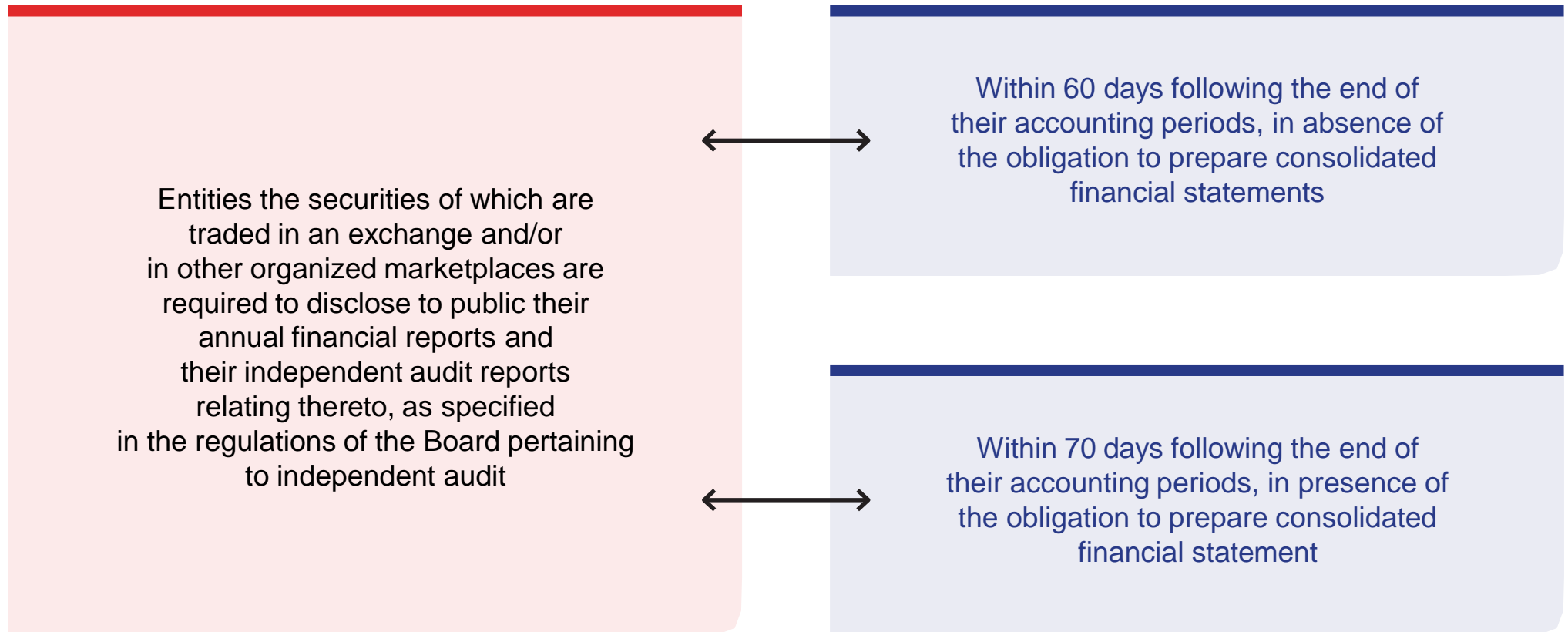


MANDATORY AND VOLUNTARY REPORTING



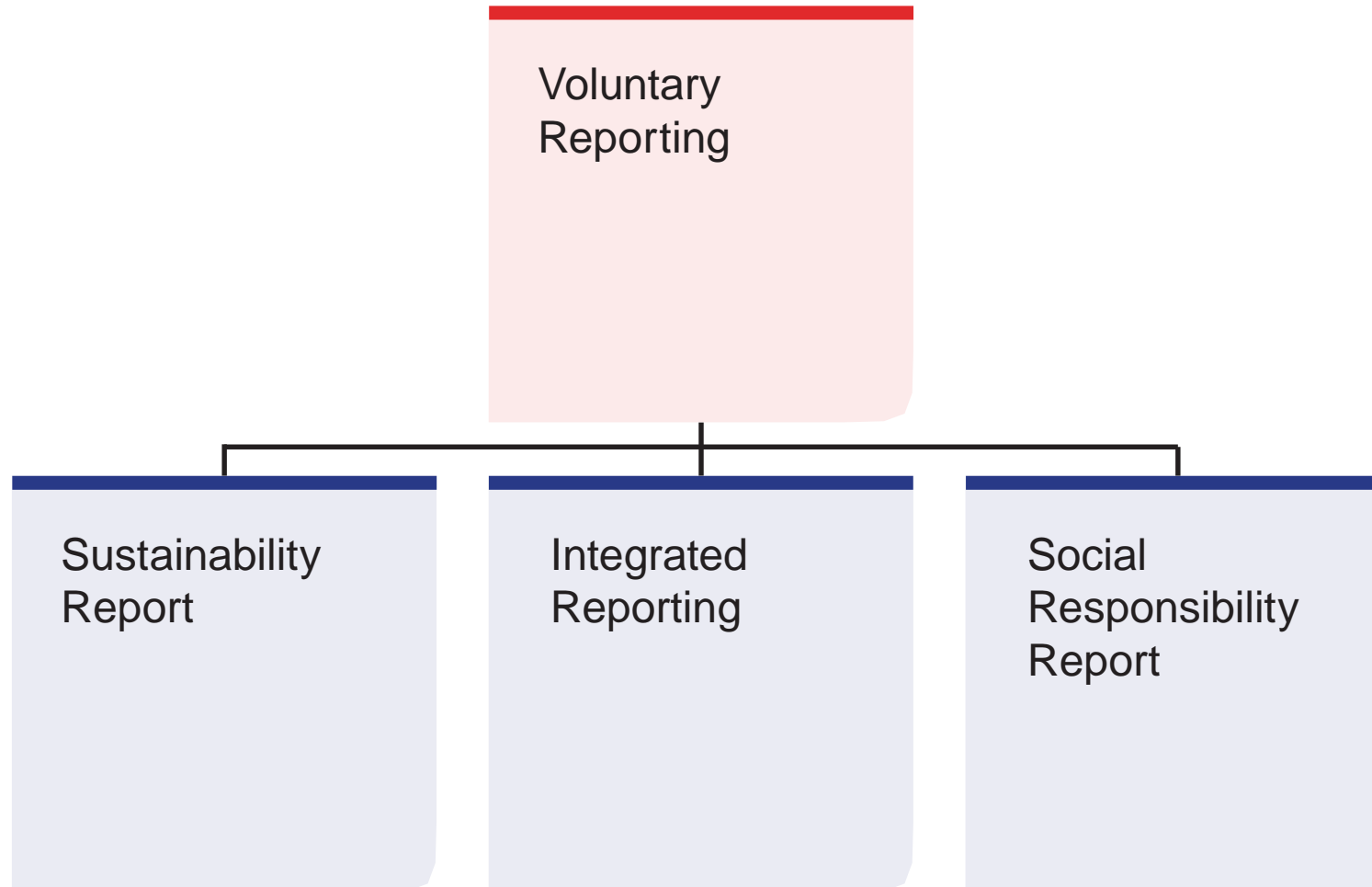
Mandatory Reporting

DISCLOSURE OF ANNUAL FINANCIAL REPORTS* TO PUBLIC



*Turkish financial reporting system is fully complied with the IFRS
Financial Reports: Financial Statements, Annual Interim Reports and Responsibility Reports

Voluntary Reporting



Ethics and Compliance

Turkey became contracting party to many international agreements of the main organizations like United Nations, the OECD, the European Union and has internalized the large part of these arrangements. According to the results of the OECD's regular inspections on legislative alignment and implementation in Turkey. in May 2017, the main criticisms can be listed as follows;

Lack of examples of punishment based on the provisions in the legislation;

Regulatory deficiencies related to whistleblowing and repentance;

Lack of sanctions for legal persons (both in terms of regulation and implementation);

Lack of coordination and communication between institutions.

The most important authority regarding ethics in terms of public sector is Council of Ethics for Public Officials (Kamu Etik Kurulu) in Turkey., established in 2004. The Council is commissioned to determine the principles of ethical conduct that the public officials had to comply with and observing the implementation.

Ethics and Compliance Manager Professional Standards have been prepared by a committee established within TEID (Ethics and Reputation Society) and approved by the Mesleki Yeterlilik Kurumu (MYK)

For detailed information: <http://teid.org/eng/>

CORPORATE GOVERNANCE ASSOCIATION OF TURKEY

About Corporate Governance Association of Turkey (TKYD)

Founded in 2003, Corporate Governance Association of Turkey (TKYD) is a non-profit organization aiming to develop and promote adherence to corporate governance standards and guidelines in Turkey.

TKYD is signatory to UNGC and a member of ICGN, Founding member of ERTA Turkey and Borsa Istanbul Sustainability Platform



Vision, Mission and Target



Mission

Leading, guiding and supporting the adoption and implementation of corporate governance principles in Turkey and region.

Vision

To be the point of reference for all those seeking expert guidance on corporate governance.

Target

Our country's corporations are became to have high performance, competitive, international management principles and create the most value-added corporations for their shareholders.

REFERENCES

REFERENCES

Material Capital Market Regulations for Listed Companies

Corporate Governance

<http://www.cmb.gov.tr/SiteApps/Teblig/File/479>

Material Events Disclosure

<http://www.cmb.gov.tr/SiteApps/Teblig/File/501>

Significant Transactions and Retirement Right

<http://www.cmb.gov.tr/SiteApps/Teblig/File/507>

Squeeze out and Right to Sell Shares

<http://mevzuat.spk.gov.tr/>

Financial Reporting

<http://www.cmb.gov.tr/SiteApps/Teblig/File/477>

Rating

<http://www.cmb.gov.tr/SiteApps/Teblig/File/236>

Dividend

<http://www.cmb.gov.tr/SiteApps/Teblig/File/486>

Insider Trading and Market Abuse

<http://www.cmb.gov.tr/SiteApps/Teblig/File/487>

Electronic General Shareholders Meeting

<http://mevzuat.spk.gov.tr/>

REFERENCES

Related Websites

SPK Capital Markets Board of Turkey

<http://www.cmb.gov.tr/>

Borsa Istanbul

<https://www.borsaistanbul.com/en/home-page>

MKK Central Securities Depository of Turkey

<https://www.mkk.com.tr/en/>

Takas İstanbul (Custody)

<https://www.takasbank.com.tr/en>

BDDK Banking Regulation and Supervision Agency

<https://www.bddk.org.tr/Home>

TCMB The Central Bank of the Republic of Turkey

<https://www.tcmb.gov.tr/>

TSPB Turkish Capital Markets Association

<https://www.tspb.org.tr/en/>

TBB The Banks Association of Turkey

<https://www.tbb.org.tr/en/home>

TKYD Corporate Governance Association of Turkey

<http://www.tkyd.org/tr/default.html>

Corporate Governance Ratings

<http://www.tkyd.org/tr/kyd-kurumsal-yonetim-komisyonlar-calisma-gruplari-sermaye-piyasasi-calisma-grubu-ve-bist-kurumsal-yonetim-endeksi-kurumsal-yonetim-endeksi-tum-firmalar.html>

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