



Corporate Governance Rating Report



Prysmian
Group

5 December 2017

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Rating and Executive Summary

TÜRK PRYSMIAN KABLO ve SİSTEMLERİ A.Ş. (PRKAB)

 SAHA
Corporate Governance Rating:

9.11



MAIN SECTIONS: **Avg. 91.13**

Shareholders: **91.94**



Public Disclosure & Transparency: **92.88**



Stakeholders: **92.26**



Board of Directors: **88.81**



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of Türk Prysmian Kablo ve Sistemleri A.Ş. (Türk Prysmian) 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".

Türk Prysmian is rated with **9.11** as a result of the Corporate Governance study done by SAHA. Company's corporate governance rating is revised as above in consideration with the importance given by the Company to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements which had been initiated in this direction.

Furthermore, SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Türk Prysmian is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on July 21, 2017 can be accessed at <http://www.saharating.com>.

Türk Prysmian is rated with **9.19** 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. Türk Prysmian carries out the investor relations obligations through the Department of Shareholders Relations. There is no upper limit or privileges on voting rights. 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 publicly disclosed, consistent dividend policy of the Company. There are no restrictions on transfer of shares. On the other hand, there are areas for improvement like prescribed rate of minority rights for public joint stock companies (5%) is adopted as it is in the articles of association of the Company.

Türk Prysmian attained **9.29** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site 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. Shareholding structure of the Company and the names of the ultimate controlling individual shareholders as identified after being released from indirect or cross shareholding relationships between co-owners are not disclosed to the public. Türk Prysmian's web site is also prepared in English for the benefit of international investors.

On the topic of **Stakeholders**, Türk Prysmian scored **9.23**. Türk Prysmian 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 established and disclosed to the public on the corporate web site. Models have been partially developed to support the participation of stakeholders in the management of the Company, but such models are not included in the articles of association. The Company has a written human resources policy. There is a trade union at the Company. Türk Prysmian complies with quality standards concerning its goods and services and takes measures to ensure these standards. Code of ethics is publicly available through the Company's web site. During the reporting period, the Company was not held liable by any public authorities for any sanctions, and was not subject to any adverse notice due to any environmental damages.

From the perspective of the principles regarding the **Board of Directors**, Türk Prysmian's tally is **8.88**. 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 chief executive officer is not the same person. The board consists of eight members, three of whom are independent and three are executive members. CMB criteria are complied with and the opinion of the Corporate Governance Committee is received for the appointment of independent members who have each signed a declaration of independence. There is one female member on the board. Institutional Management, Auditing, and Early Risk Detection and Risk Management 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 Company's web site. A minimum of 25% female board membership rate is targeted, but no policy is set to achieve these goals. The Company does not provide any loans or extend any credit to the board members or senior executives.

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.22).

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

Türk Prysmian Kablo ve Sistemleri A.Ş.	
	Chairman of the Board & Factory Director Halil İbrahim Kongur Vice-chairman & General Manager Erkan Aydođdu Board Member & CFO Ercan Gökdađ
Ömerbey Mah., Bursa Asfaltı Cad. No:51, 16941 Mudanya, Bursa www.prysmiangroup.com	Accounting and Investor Relations Manager Nevin Kocabaş Tel: (0224) 270 3000 Fax: (0212) 270 3024 tpks@prysmiangroup.com

Emergence of Türk Prysmian Kablo ve Sistemleri A.Ş. (Türk Prysmian): The ownership of the Türk Siemens cable plant, which was established in Mudanya in 1964, was transferred to Pirelli on August 5, 1999 and following the international share transfer realized on July 28, 2005, the Company began to operate under the name Prysmian.

Today, the total area of the factory is 180,000 m² (indoor space: 79,000 m²). All the energy cables up to 380 kV, copper conductor communication cables up to 3,600 pairs, optical fiber cables along with optical fiber cables are in the Company's product range. The Company houses TSE qualified thermal, mechanical, chemical and electrical scientific research and testing laboratories and also performs "turn-key" projects for cables and systems.

The Company's previous title of "Türk Pirelli Kablo ve Sistemleri A.Ş." was changed to "Türk Prysmian Kablo ve Sistemleri A.Ş." as per the resolution reached at the Extraordinary General Shareholders' Meeting dated September 26, 2005 and the new title was registered to Bursa Trade Register Office on September 27, 2005.

The Company shares are traded under "PRKAB" code at BIST National Market and Türk Prysmian is a constituent of BIST All Shares (XUTUM), BIST Main (XBANA), BIST Industrials (XUSIN), BIST Metal Products, Machinery (XMESY), BIST Bursa (XSBUR) and BIST Corporate Governance (XKURY) indices.

Following the resolution of the Board of Directors on proposition of "Excess Reserve", it was decided unanimously at the Ordinary General Shareholders' Meeting held in 2017 that: According to the audited financial statements covering the accounting period of January 1st 2016 – December 31, 2016 and within the provisions of the Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1), and in line with the Turkish Accounting Standards and Turkish Financial Reporting Standards published by the "Public Oversight Accounting and Auditing Standards Institution"; "Net Profit for the Period" is TL 20,235,950 and TL 142,206 out of TL 10,973,438 will be kept as Secondary Reserve, after deducting a tax of 15% over TL 0.062670525 gross (TL 0.0532699946 net for each share with a nominal value of TL 1 par value), TL 7,033,742 of the remaining amount corresponding to 6.27% of the issued capital will be paid as cash dividend starting from April 18, 2017, and TL 12,490,468 (amount remaining following the deduction of distributable dividend and legal reserves from Net Profit for the Period of TL 20,235,950) to be reserved as "Excess Reserve".

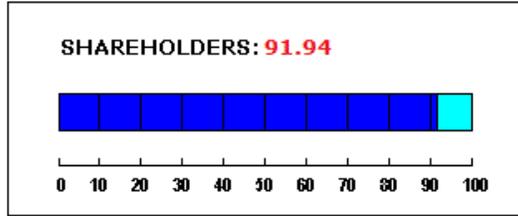
The Company's capital structure is as follows:

Capital Structure of Türk Prysmian		
Shareholder	Share Value (TL)	Share %
Draka Holding B.V.	118,696,850.75	83.75
Free Float & Other	23,036,801.25	16.25
TOTAL	141,733,652.00	100.00

The board of directors is composed as follows:

Türk Prysmian Board Of Directors	
Name	Title
Halil İbrahim Kongur	Chairman
Erkan Aydođdu	Vice-chairman and CEO
Ercan Gökdađ	Board Member and CFO Early Risk Detection and Risk Management Committee Member
Fabio Ignazio Romeo	Board Member Institutional Management Committee Member
Andrea Pirondini	Board Member
Ali Aydın Pandır	Independent Board Member Auditing Committee Member Early Risk Detection and Risks Management Committee Member Institutional Management Committee Chairman
Mehmet Emin Tutan	Independent Board Member
Ayşe Canan Edibođlu	Independent Board Member Auditing Committee Chairwoman Early Risk Detection and Risks Management Committee Chairwoman

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	No upper limits or privileges on voting rights
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Detailed dividend distribution policy
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
-	Benefits provided to board members and senior management within the year not listed on individual basis in the annual report

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The Company carries out the shareholder relations obligations through Accounting and Investor Relations Department established under the structure of Company Financial and Administrative Affairs Directorate and is managed by Ms. Nevin Kocabaş.

Along with other units of the Company 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 shareholders' 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.

The ratio of the Company shares traded on BIST and others to total capital is around 16.25%.

1.2. Shareholders' Right to Obtain and Evaluate Information:

The Company's articles of association do not contain a reference permit related to the assignment of an individual auditor and a request for the assignment of a private auditor within the reporting period of 2016 was rejected by the court.

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

The Company has established a disclosure policy, submitted to 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 ordinary general shareholders' meeting held in 2017 is performed through all means of communication available to the Company three weeks in advance 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 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, information on privileged shares.

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.

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.

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.

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 auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

A clause on donations and grants was issued in the articles of association and submitted to the general shareholders' meeting for approval. However, even though the amount of all donations and grants effectuated during the reporting period is read-out during the meeting, inclusion in both the meeting minutes and the disclosure document is an area open for improvement.

General shareholders' meetings can be conducted with the attendance of stakeholders and media with no voting rights, but there is no provision in the articles of association of the Company in this respect.

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

1.5. Voting Rights:

At Türk Prysmian, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately. There are no voting privileges and the Company avoids applications that make it difficult to exercise voting rights.

1.6. Dividend Rights:

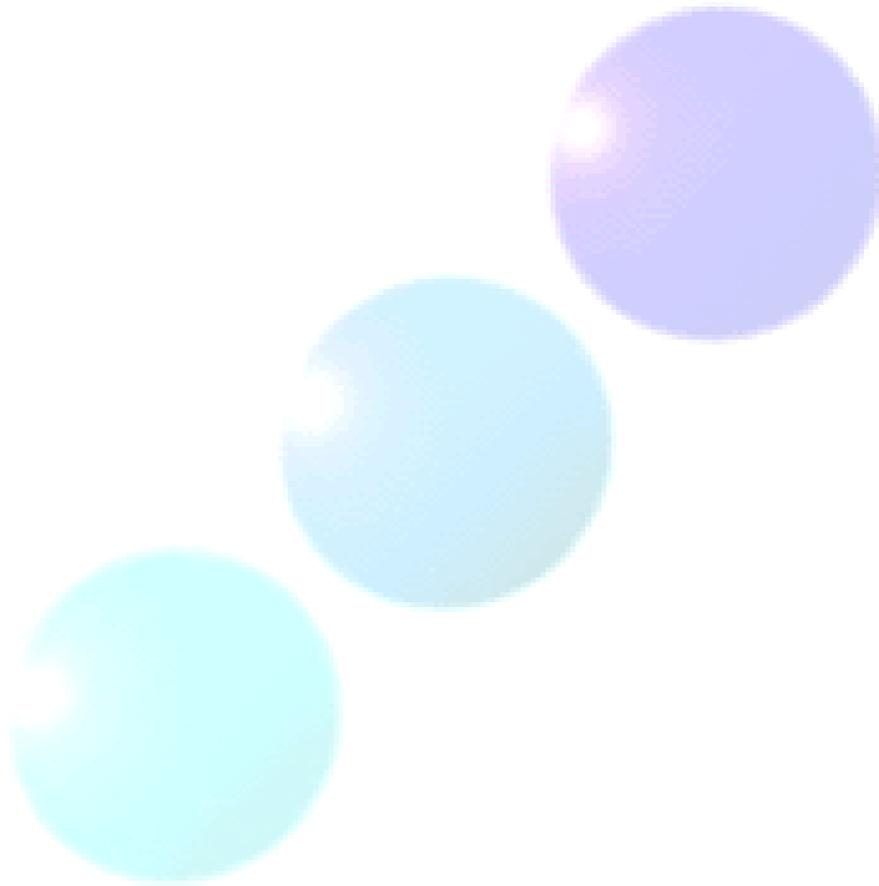
The dividend policy of Türk Prysmian is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

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.

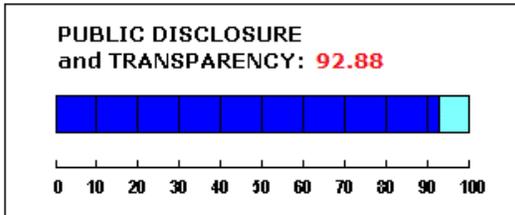
The profit distribution proposal presented at the general shareholders' meeting of the year 2017 clearly stated the amount of profit for the period and the amount and source of the distributable dividend, the dividend to be paid per share by specifying group distinctions, and the time and form of payment.

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

+	There is a Department of Shareholder Relations
+	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
+	List of insiders disclosed to the public
+	Important events and developments disclosed in accordance with the legislation
+	English version of the web site for international investors
-	Benefits provided to board members and senior executives not listed on individual basis in the annual report
-	Working principles of the committees and assessment of the board on their efficiency not included in the annual report

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 Company's web site includes; trade register information,

information about latest shareholder and management structure, detailed 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, 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, the donation 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 5 years can be reached on the web site.

The Company's shareholding structure; the names, amount and rate of the shares held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is not disclosed to the public along with the privileges they hold and also not updated bi-annually as per the minimum requirement. However, during the ordinary general shareholders' meeting, it is shared that there is no individual shareholder with a share over 5% on the existing shareholders' list.

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

The information contained on the web site exists also in English (pretty much same with the Turkish content) for the benefit of international investors.

The Company's web site also includes; investor presentations, working principles of the committees, the vision/mission of the Company established by the board, information on capital increases, news, general shareholders' meeting internal guidelines, social responsibility activities, information on senior management, financial data, main ratio analysis, timetable on events/developments which considers investors, 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 Company operates and information on its position in the sector.
- d. Qualifications of the production units, capacity utilization rates and 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. Corporate Governance Principles Compliance Report.
- g. Information on related party transactions.
- h. Other issues not included in the financial statements, but are beneficial for users.
- i. Company's organization, capital and ownership structure and any changes in the related accounting period.
- j. All benefits provided to staff and workers, information on number of personnel.
- k. Explanation on privileged shares and their amounts.
- l. Information on involvement of board members in any transaction 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. Research and development activities.
- n. 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 issues also took place in the annual report:

- a. External duties of board members and executives.

- b. Members of the committees within the board, meeting frequency of the committees.
- c. Number of board meetings held during the year and participation status of the members.
- d. Changes in legislation which could significantly affect the Company's operations.
- e. Major court cases against the Company and possible consequences.
- f. Information on direct contributions to capital ratio with cross shareholding investments in excess of 5%.
- g. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results.
- h. Rating results.

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.

On the other hand, the 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. Besides, working principles of the committees and assessment of the board of directors on the efficiency of the committees can also be included in the annual report.

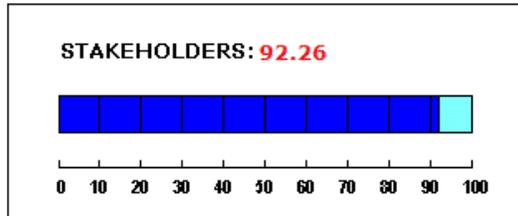
2.3. External Audit:

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

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 qualified opinion. It has been declared that there has been no legal conflict between the Company and the external audit firm.

External audit firm and their audit staff did not provide consulting services for

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources Policy
+	Strict quality standards for goods and services
+	Stakeholders' views are taken on important decisions
+	Code of ethics disclosed to the public
+	Measures are taken to ensure customer satisfaction on sale of goods/services
+	Company is socially and environmentally sensitive and respectful
+	Existence of a trade union
=	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:

Türk Prysmian 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 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.

3.2. Stakeholders' Participation in the Company Management:

Türk Prysmian has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the Company and they are disclosed in the Corporate Governance Compliance Report. However these models and mechanisms are not included in the articles of association.

3.3. Company Policy on Human Resources:

We have observed that, with respect to specific national standards, the Company has a well-established human resources policy that ensures both sound career planning and social rights.

Training and development programs are designed to increase efficiency and productivity. Individually tailored training programs start with the "Orientation Program" that aims swift and easy adaptation and continues with skill development activities

according to individual performance levels. Training plans and budgets are based on the suggestions of department heads, corporate objectives and strategies. Training abroad may also be available to senior management.

Measures are taken in order to prevent race, religion, ethnic, nationality and sex discrimination among the employees, and equal opportunities on equal terms are provided. Remuneration and promotions are based on performance and productivity. Working conditions are safe and secure and are maintained and improved in time. No complaints of discrimination have been received from employees in recent years.

Türk Prysmian's workers are represented by the United Metalworkers' Union. Representatives of the trade union attend production sessions and meet regularly to assess current conditions and opportunities.

3.4. Relations with Customers and Suppliers:

Türk Prysmian evaluates and files all recommendations, criticisms and concerns received from customers and suppliers. To this end, area managers regularly visit clients and convey all input to the headquarters.

Confidentiality of information relevant to customers and suppliers is also respected within the scope of trade secret.

3.5. Ethical Rules & Social Responsibility:

Ethical rules of the Company consisting of; customer satisfaction, providing goods and services with universal quality standards by efficient use of scarce natural resources and contributing to economic and social

development are disclosed to the public on the corporate web site.

The Company was not held liable by any public authority for any sanctions within the last year. Türk Prysmian keeps good relations with NGOs and public social institutions.

3.6. Sustainability:

Türk Prysmian Kablo ve Sistemleri A.Ş. carries out various corporate social responsibility projects, particularly on education.

In 2008, Türk Prysmian supported the "*Ulubat Lake Management Plan, Stork Friendly Villages Project*". As part of the project, Türk Prysmian aimed to renovate the electricity system of Eskikaraağaç Village in Karacabey provincial district in collaboration with the village to replace the bare copper conductors with insulated wires and eventually prevent stork injuries due to collisions with the power lines.

During the same year, Türk Prysmian supplied the cable infrastructure of the "*Center for Special Training for Children between the Age of 0 and 6 and Their Families*" which was built by joint efforts of the Municipality of Kadıköy and the Turkish Hearing and Speech Rehabilitation Foundation.

Türk Prysmian published a book titled "*Tirilye - from past to present*" written and photographed by travel writer Reyhan Tüvi to contribute to the promotion and the cultural heritage of the region where Türk Prysmian's factory is located.

Türk Prysmian also renovated the Balabançık Village Primary School in Bursa. Following the reopening ceremony in October 7, 2009; education in the school resumed. The project has enabled Balabançık Village's students to be educated in

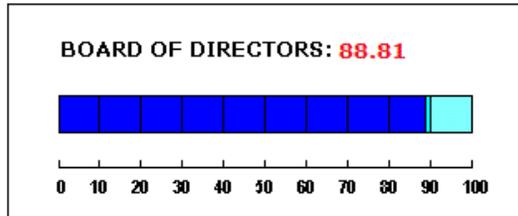
their own village instead of commuting to another village.

Giving priority to the development of Mudanya region where the factory is located, Türk Prysmian, in collaboration with Mudanya Municipality, Mudanya Police Department, Mudanya Justice Department, Tirilye Youth and Sports Directorate, Mudanya Tuberculosis Control Association, and 911 Search and Rescue Association, carried out a number of projects in 2012 to ensure the residents receive service in better conditions.

Aside from the contributions provided to the residents in the region, Türk Prysmian has also continued to support its employees and donated 38 computers. Türk Prysmian will continue to provide contribution to similar projects in the coming years.

Detailed information about sustainability and social responsibility activities of Türk Prysmian is available on the Company's web site.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	Company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Board of directors meeting and decision quorum is defined in the articles of association
+	Three independent members on the board
+	Institutional Management, Auditing, and Early Risk Detection and Risk Management Committees are established
+	Conduct of the board meetings is defined in Company's internal regulations and included in the articles of association
+	One female member on the board
+	There is a regulation on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly
=	Target is adopted for a minimum 25% female board membership rate, but no policy has been set to achieve these goals

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.

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 various 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 once a year.

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 but this separation is not clearly expressed in the articles of association. In addition, the general manager alone has unlimited jurisdiction in each case in the authorized signature list.

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.

In addition, losses incurred by the Company as a result of not performing the executives' duties duly are insured with an amount exceeding 25% of the capital and disclosed via the PDP.

4.3. Structure of the Board of Directors:

The Company's board of directors is composed of eight members of whom three are executive members. Among the non-executive board members there are three independent members who have the ability to execute their duties without being influenced under any circumstances.

The Institutional Management 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 each 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. Besides the Company have decided on a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female board membership rate, but no policy has been set yet to achieve these goals. Furthermore, annual progress reports on this issue will be followed by us.

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

Board meetings take place with sufficient frequency. Decent number of ordinary meetings is held and members also convene upon any extraordinary situation and negotiate and render resolutions on critical agenda issues.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the general manager. Twenty-three meetings were held in 2016 and all of the members attended to nine of these meetings.

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 is entitled to a single vote.

The conduct of the board of directors meetings is defined in internal regulations and meeting and decision quorums have been included in writing in the articles of association of the Company.

Company officials stated that the board members take care to allocate necessary time for Company affairs. In addition, they are under obligation not to be involved in an act of conflict of interest on their external duties.

4.5. Committees Established Within the Board of Directors:

Institutional Management, Auditing, and Early Risk Detection and Risk Management 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 its members

are designated by the board of directors and disclosed to the public on the Company's web site.

All members of the Auditing Committee are elected among the independent board members. Also the chairmen of all three committees are elected among the independent board members. The general manager is not on the committees. Care is taken to avoid appointment of one board member on multiple 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.

As of the date of the report, the Institutional Management Committee held four, Auditing Committee held three and the Early Risk Detection and Risk Management Committee held five yearly meetings.

The Institutional Management 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.

Investor Relations Department manager is also a member of the Institutional Management Committee.

Auditing Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems.

It also 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.

Committee 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.

Auditing Committee members possess the qualifications mentioned in the Corporate Governance Principles communiqué.

Information on working principles of the Auditing Committee and number of written notices given to the board of directors in the accounting period, along with the results of the meetings is not included in the annual report.

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

Early Risk Detection and Risk Management Committee reviews risk management systems at least once a year. The Committee has convened to carry out certain studies towards early detection of risks which may jeopardize the Group's assets, its development and progression, and

measures taken to mitigate and manage those risks, and presented its reports to the board of directors.

The Institutional Management Committee carries out the duties of the Nomination Committee and Remuneration Committee, since they are not established. It has made its proposal on suitable candidates for the board of directors, on creation of a transparent system of evaluation and training, on determination of the relevant policies and strategies, and their remuneration principles.

However, we need further observation to assess the degree of efficiency and functionality of the Committee, particularly with regard to its reviews on the structure and efficiency of the board of directors. Also, whether the Committee submits its recommendations to the board members on changes that can be realized on these matters; whether it ensures that a system with regards to the principles and practices regarding career planning and rewarding of the board members is implemented; and by taking into account the degree of achievement of the criteria, whether it makes proposals to the board on remuneration of the board members and senior executives will need to be monitored further.

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

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.

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.

Türk Prysmian 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 the conclusion that 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 is a regulation on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly.

There have 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.

Orientation process for newly appointed managers is documented in the Human Resources Policy which has been presented to us in its entirety.

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. 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 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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