



CORPORATE GOVERNANCE RATING REPORT ON

TAV HAVALIMANLARI HOLDING A.S.



RATING RELEASE DATE

21 August 2014

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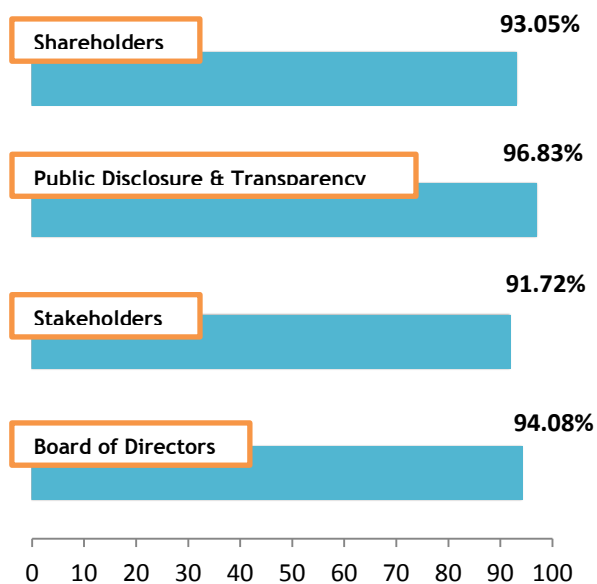
GROUP



OVERALL SCORE

9.41

RESULTS BY CATEGORY



INTRODUCTION

ISS Corporate Services (hereafter, ICS) has updated its rating score of 9.17 (or 91.76 percent) to TAV Havalimanları Holding A.S (the "Company" or "TAV Airports") given on 1 March 2014 to 9.41 (or 94.15 percent). This rating update is based on the new methodology used by ICS. Please refer to the "Rating Methodology" section for more information.

ICS was first appointed by TAV Airports in 2009 to review its corporate governance structure and processes in line with the CMB Rules. TAV Airports first rating was released on 4 September 2009 with a score of 8.33 (83.34 percent).

TAV Airports has steadily built upon its corporate governance foundation with a range of corporate governance enhancements in the past several years in numerous areas. Most recent improvements include the announcement of implementing a diversity policy for the Board and enhanced disclosure on its remuneration policy. TAV Airports continues to score particularly well on **Public Disclosure & Transparency**. On the other hand, TAV Airports achieves a slightly lower result for both **Stakeholders** and **Shareholders**.

The rating report is based on information provided to ICS prior to August 2014. The rating may be changed, suspended or withdrawn as a result of changes in or unavailability of such information.

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RATING METHODOLOGY

The corporate governance rating at hand has been conducted by ICS based on the latest CMB Rules published 3 January 2014 (II-17.1). As such, it differs in content and methodology from ISS' standard corporate governance ratings that are based on ISS' own methodology. The new rating methodology took effect as of 31 January 2014.

The CMB defined its first Corporate Governance Principles in 2003, followed by several amendments and most recently in January 2014. ICS has updated its rating methodology under CMB's supervision based on the latest regulation. According to the CMB Rules, all Borsa Istanbul companies are subject to mandatory implementation of certain CMB Rules. The CMB Rules continue to look at four categories (see Weighting Scheme for more information).

Turkey's governance landscape has moved away from a "comply or explain" regime to one that is more regulated as the CMB has increased its tone with a view to boost the competitiveness of Turkish companies globally.

THE RATING

Based on the new CMB Rules, ICS identified close to 600 criteria for the rating (which was previously around 500 criteria). Each criterion is examined thoroughly upon compliance by TAV Airports, on the basis of publicly available information. Additional information was provided by TAV Airports upon request.

Under the old methodology, a straightforward 0 (no) or 1 (yes) scoring approach was applied, in addition to attributing a score of 0.5 points in some instances to acknowledge partial fulfilment. However, this scoring system has been amended whereby companies now receive a maximum score of 0.85 (out of 1) for meeting the mandatory clauses of the CMB Rules, but can increase to 1 if the practices adopted by a company go further than what is stipulated in the CMB Rules as mandatory for each specific group, described below.

THE GROUPS

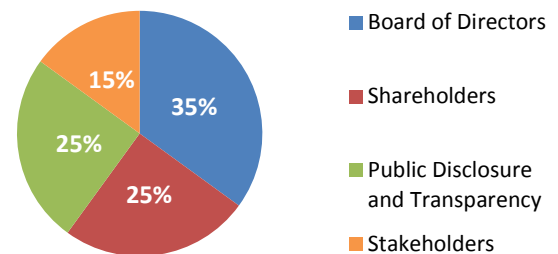
The CMB Rules classify companies in three main groups based on the systematic risk companies pose to Turkish capital markets:

- 1. Group I:** Companies with a market value exceeding TL 3 billion and free float exceeding TL 750 million;
- 2. Group II:** Companies with a market value exceeding TL 1 billion and free float exceeding TL 250 million; and
- 3. Group III:** All other companies which do not fall under either Group.

Group I companies are required to comply with all mandatory Principles whereas Group II and III companies benefit from certain exemptions. TAV Airports remains in Group I as of January 2014.

WEIGHTING SCHEME

The weighting scheme applied for the four main sections was pre-determined by the CMB, which did change in 2013. The Board of Directors category has increased from 25 percent to 35 percent whereas the Public Disclosure and Transparency category reduced from 35 percent to 25 percent.



Further sub-weightings have been attributed to the sub-criteria according to ICS's own reference. Based on the scoring and adjusted weightings, the overall rating result is calculated. The result reflects the overall compliance of TAV Airports with the CMB Rules as well as each main category.

COMPANY INFORMATION

	
Trade Name	TAV Havalimanları Holding A.Ş.
Address	TAV Havalimanları Holding Yönetim Merkez Binası Istanbul Atatürk Havalimanı Dış Hatlar Terminali (A Kapısı – VIP Yanı) 34149 Yeşilköy, Istanbul, Turkey
Web	www.tav.aero
Investor Relations	Ms. Nursel Ilgen Phone: +90 212 463 3000/2122-2123-2124 E-Mail: nursel.ilgen@tav.aero
Chairman	Hamdi Akın
CEO	Mustafa Sani Şener

TAV, founded in 1997, is the leading airports operator in Turkey. TAV was initially formed as a joint venture between Tepe İnşaat Sanayi A.Ş. (Tepe) and Akfen Holding A.Ş. (Akfen) following their successful bid for the Istanbul Atatürk Airport International Terminal Contract in 1997.

Since its inception, TAV has established itself in both the airport construction and operation businesses. TAV reorganized its businesses in 2006 into TAV Airports and TAV Construction. This was followed by the Initial Public Offering (IPO) of TAV Airports in 2007. In 2012, French company Aéroports de Paris acquired 38 percent of TAV Airports' shares.

TAV Airports is comprised of airport service companies, which are engaged in the complementary business lines of ground handling services, duty free shops, food and beverage services, operations & services, and IT and security services.

TAV Airports seeks to build on its horizontal expansion in the industry by successfully leveraging its economies of scale and track record in both the region, as well as in the emerging markets of Eastern Europe, North Africa, Middle East and in the Caucasus region. In December 2013, the Company

added the Zagreb Airport in Croatia to its portfolio. And finally Milas Bodrum International Airport has been taken over in July, 2014. This increased the total number of its airports to 14. Also, in July 2013, the consortium composed of TAV Airports, Aéroports de Paris, and Goldman Sachs received preliminary qualification to place a bid in the tender for the "Design/Build/Finance/ Operate & Maintain LaGuardia Airport Central Terminal Building Replacement Project in New York, USA.

TAV provided services to around 652,000 flights and 84 million passengers in 2013. With this capacity, TAV Airports is among the leading airport operators in the world. It has successfully achieved its stated goal of increasing its portfolio of airports to 10 in 10 years. TAV Airports' new goal is to increase the number of passengers it serves to 100 million by 2020.

The Company has a registered capital system pursuant to the provisions of the Capital Markets Law. The registered capital ceiling of the Company is TL 1.5 billion divided into 1.5 billion shares having a nominal value of TL 1 each. The Company's issued share capital is currently approximately TL 363.3 million. The registered capital ceiling permit issued by the CMB is valid from 2013 to 2017. The Board is authorized to increase the issued share capital by issuing new registered or bearer shares up to the registered capital between these two dates, in compliance with the Capital Market Law and relevant regulations.

The Company's latest shareholder structure is as follows:

SHAREHOLDER STRUCTURE

Shareholder	% of Share Capital
Aéroports de Paris Group*	38.0%
Tepe İnşaat Sanayi A.Ş.	8.1%
Akfen Holding A.Ş.	8.1%
Sera Yapı Endüstrisi ve Ticaret A.Ş.	2.0%
Other Non-Floating	3.5%
Other Free-Float	40.3%

* Through Tank ÖWA alpha GmbH

Source: Company Annual Report (as at December 2013)

THE GOVERNANCE LANDSCAPE IN TURKEY

Though the corporate governance structure and performance on the company level is of particular interest for shareholders, one should also acknowledge the corporate governance landscape on the country level. Despite the fact that the country level is not a part of the rating itself, ICS believes that an overview can enable investors to enhance their perspective and evaluation of corporate governance in a more holistic approach.

Turkey is well aware of the structural changes and the need for ongoing development and harmonization of its capital market legislation. Although Turkey is a latecomer to corporate governance, it has tried to speed up the progress since the year 2000. The overall legal framework regulating public companies in Turkey is determined by the new Turkish Commercial Code (effective 1 July 2012), the Capital Markets Law, the Decree-law, CMB regulations, and Borsa Istanbul (BIST) listing requirements.

Focusing in particular on corporate governance, the CMB and the BIST can be observed as key players in promoting relevant regulations. They are supported by several other organizations such as the Turkish Industrialists' and Businessmen's Association, Corporate Governance Association of Turkey, Corporate Governance & Sustainability Center and the Corporate Governance Forum of Turkey.

Below we have highlighted the general aspects of the governance landscape in Turkey.

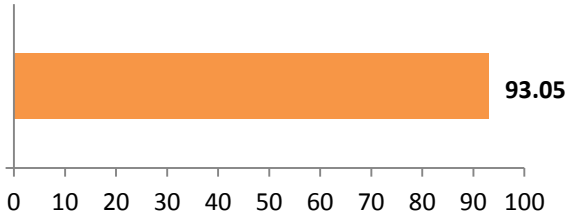
- Within Turkish companies stock ownership is concentrated, very often characterized by the presence of a majority shareholder. In addition, holding structures, conglomerates, pyramid shareholding structures, and cross-shareholdings are quite common. Through these mechanisms Turkish families control a considerable amount of

Turkish listed companies. Additionally, one can also find shares containing multiple voting rights, thus preserving family control.

- Due to the influential holdings of the families, family members are often present on the boards of the holdings and subsidiaries or act as executives.
- Due to the limited free float, hostile takeovers are rare, thus, weakening the market for corporate control.
- State ownership has declined significantly in line with privatization efforts, but is still to be found in selective industries. In the interim, foreign institutional investors started to increase their holdings.
- Issued stocks in Turkey range from ordinary shares, to preference shares. Golden shares only exist in few companies.
- Minority rights are granted to shareholders that own at least 5 percent of the company's capital, providing them with the right to call an extraordinary general meeting or bring in a shareholder proposal.
- Even though pre-emptive rights are granted by Turkish law at the first instance, companies can, through their articles of association, exclude pre-emptive rights in case of capital increases up to 100 percent of their registered capital.
- Mandatory tender offer bid requirements exist above a 50 percent threshold.
- Disclosure of indirect or direct ownership in case various thresholds (e.g. 5, 10, 15, 20, 25, 33.33, 50, 66.66, and 75 percent) are passed.
- Companies have adopted IFRS accounting standards.
- Companies have a single tier board structure.
- The current CMB Rules outline rules that regulate the independence of board members.

SECTION I - SHAREHOLDERS

SHAREHOLDERS



SUMMARY

TAV Airports continues to attain a good result of 9.30 in this category, which represents an increase from a score of 9.13 since ICS's last update. A clear dividend policy is in place and voting rights are well defined. Each share is subject to the **one share - one vote - one dividend principle**.

With a free-float higher than expected for the Turkish market, TAV Airports pays close attention to **minority rights** which have been clearly defined in the Company's AoA. However, in case of a capital increase, the Board can restrict the rights of the existing shareholders to acquire new shares (exclusion of **pre-emptive rights**). This feature continues to be in place today (see Article 6 and 7 of the Company's AoA). In addition, the right to request a **special auditor** is not specifically granted pursuant to the Company's AoA (though this right is protected under the new Turkish Commercial Code and Article 20.1 of the AoA states that shareholders can point out any items considered suspicious to the auditors and demand necessary clarifications).

TAV Airports maintains a **clear dividend policy** with the level of payout determined by the local regulations, the national and global economic conditions, as well as the Company's growth strategy. The disclosure of this policy has been improved to provide a better guidance to investors on what they should expect for future payments. TAV distributed a dividend to their shareholders based on the 2013 financial year's performance.

An **Investor Relations (IR) Department** has been established to enable shareholders to exercise their rights and obtain relevant information. TAV Airports' IR website is easily accessible from the Company's main website and includes information concerning the Company's corporate governance structure, financials, and pertinent news. The IR website can be accessed in English for foreign investors. ICS notes that the Company's IR team remains very proactive in this regard as improvements to its website and subsequent usability by investors is continuously improved upon.

RIGHTS OF SHAREHOLDERS

GOVERNANCE FOCUS
+ Established dividend policy
+ Clearly defined voting rights
+ No preferred shares issues
+ One Share – One Vote respected
- The Board may exclude pre-emptive rights
- The minority rights can be further expanded

The General Meeting (GM) invitation, agenda and accompanying documents (including the proxy voting form) are uploaded to the corporate website and announced in leading newspapers well in advance of the GMs. The announcement was made on 27 February 2014 for the meeting to be held on 24 March 2014 (24 days advance notice). A summary of the vote results and attendance rate (the "Minutes of the AGM") is uploaded on the Company's website.

The GMs appear to be conducted in a fair and efficient manner where shareholders are allowed to exercise their statutory rights. Stakeholders and the press can participate in the general assembly meetings, according to Article 5 of Internal Directive on Procedures and Principles of General Assembly Meetings of TAV Airports.

1.1.1 Equal Treatment of Shareholders and Their Ability to Obtain and Evaluate Information

According to ICS's analysis, no provisions hindering the equitable treatment of shareholders were identified. No written or verbal complaints reached the Company during the 2013 financial year concerning the exercise of shareholder rights, nor is the Company aware of any legal proceedings initiated against itself in this regard.

The Company has an active IR Department, which was established in 2006, that enables shareholders to exercise their rights, ease their access to information, keep shareholders updated, and oversee the Company's Disclosure Policy. The Head of IR, Director Ms. Nursel Ilgen, reports directly to the CEO, Mr. Mustafa Sani Şener. Ali Özgü Caneri and Besim Meriç serve as Managers to Ms. Nursel Ilgen. This Department is also closely related to the Company's Board as it reports to the Corporate Governance Committee and CEO about the activities it has conducted approximately six times a year. Full contact details for the IR Department have been provided on the Company's website.

Verbal and written requests for information received from shareholders during the 2013 financial year were responded in a timely manner under the supervision of the IR Department and in compliance with the Capital Markets Law. According to the Company, there were numerous requests and meetings with more than 600 investors/analysts. Representatives of the Company attended 18 conferences & roadshows that were held with investors, shareholders, and analysts about the Company's operating and financial results, strategy, performance and other developments.

A good level of information continues to be provided to shareholders and TAV Airports has made a strong effort to comply with the CMB Rules in this regard. It should be noted that the design and content of the Company's IR section of the website allows easy access to information and data by investors.

1.1.2 Dividend and Voting Rights

Dividend Rights

Each share is entitled to an equal dividend. None of the Company's shares incorporate special rights concerning the distribution of the Company's profits.

A dividend policy is established and accessible through the Company's public documents and website, in English and Turkish. Depending on the financial results of TAV, a dividend will be paid to investors. For the 2013 financial year, shareholders approved a gross cash dividend of TL 199 million and a gross dividend per share of TL 0.55.

Voting Rights

As the Company has not issued any preferred stock, each share is entitled one vote without any further privileges. The right to vote is automatically granted when the share is purchased, and no arrangements can be installed that would hinder this right or cause a delay in exercising voting rights, following the share acquisition.

Voting rights are well defined in the Company's AoA, ensuring equal and clear voting procedures. The exercise of voting rights can be delegated to a proxy whether or not the person is shareholder. Shareholders are enabled to exercise their proxy voting rights, through either another shareholder or a non-shareholder. In order to comply with the CMB Rules, TAV Airports makes the electronic proxy form available on its website. When exercising their votes international shareholders mostly use local intermediaries as proxies.

There are no ceilings on the number of votes a shareholder might exercise during the meeting. The Company's share capital does not involve any cross-shareholdings. Finally, the Company is not aware of any voting agreements aimed at increasing control over the management of the Company.

1.1.3 Minority Rights and Transfer of Shares

Minority Rights

Minority rights, as stipulated by the AoA, are granted to shareholders owning (collectively) 5 percent of

the Company's issued share capital. Those rights include requesting to convene an extraordinary general meeting or requesting special agenda items. According to the TCC, both aspects are up to the discretion of the Board, though shareholders can appeal to the court to decide on the general meeting to convene.

In the case of a capital increase, the Board can decide to exclude pre-emptive rights, according to Article 6 of the AoA. Although not endorsed, ICS notes that this is a common practice in Turkey.

Finally, the ability to appoint a special auditor is considered crucial by ICS which TAV Airports does not specifically grant this right at this time. However, according to Article 20.1 under the Company's AoA, shareholders do have the right to direct the attention of auditors to doubtful matters and request necessary explanations. The Company also notes that it has not received any requests in that sense during the reporting period.

There are no provisions installed or included in the AoA (i.e. Article 12) that may impede the free transfer of shares by shareholders.

1.1 GENERAL MEETINGS

1.1.1 Invitation

The Company can convene a General Assembly ordinarily or extraordinarily. The Board has to invite the General Assembly to meet upon receiving the request from shareholder(s) holding at least 5 percent of the share capital of the Company and the agenda for such call pursuant to Articles 411 and 412 of the Turkish Commercial Code.

The announcement for the 2013 AGM, including the necessary information like the date, time and location, agenda items, procedures for attendance at the meeting, proxy forms and arrangement procedures were published at least 21 days in advance. The announcement was also published in two leading Turkish newspapers. In addition to the procedures stipulated by legislation, the AGM announcement and all necessary documents (annual

reports, etc.) were also made available at the Company's Headquarters and on the Company's website at least 21 days prior to the meeting in an attempt to reach the maximum number of shareholders possible.

GOVERNANCE FOCUS
+ Timely provision of information on agenda items
+ Sound execution of the General Meeting
+ Voting procedures are clear
+ Sufficient disclosure on candidates
+ AGM held within three months of the financial year-end
+ Minutes of the AGM are disclosed in a clear and timely manner

The agenda for the 2013 AGM was prepared in a solid manner, clearly indicating each agenda item. In line with the CMB Rules, the Company allows shareholders to put forward agenda items to be voted on at the general meeting. However, for the 2013 AGM, the Company received no such request.

Considering the administrative proceedings, voting procedures are set up in a clear and understandable manner and proxy forms are available in written and electronic form. Finally, general meetings are open to related parties and the media. However, participants without an entrance card providing shareholder or proxy status are not allowed to vote.

1.1.2 Functioning

TAV Airports held its AGM on 24 March 2014, within three months following the end of its financial year. Since TAV Airports is headquartered in Istanbul, this was the location of the 2013 AGM once again this year. This location is considered as easily accessible to shareholders.

Following our examination, TAV Airports' AGMs continue to be held in an appropriate way, led in an unbiased manner by the chairman and overseen by an official government representative, and thereby ensuring that all shareholders are able to exercise their statutory rights.

The AGM functions as a forum to discuss the Company's annual report and financial results. The appointed audit company is held responsible to present the latter to the auditorium. The chairman reads a summary of the annual report and the Company's financial performance at the beginning of the AGM, followed by the presentation prepared by the Company's CEO, Mr. Mustafa Sani Şener. This is followed by a discussion of the questions raised by shareholders. It is our understanding that the chairman of the meeting ensures an equitable participation among shareholders and leads the meeting in a fair and efficient manner, where each agenda item is voted upon separately and where there are no special privileges enjoyed by any of the Company's shareholders.

Board members, auditors and other authorized and responsible persons attend the AGM to answer requests put forward by shareholders. According to TAV Airports, if a question asked is not related to the meeting agenda or if it is a comprehensive question that cannot be answered right away, the question asked is answered by the IR Department in writing within a period of maximum 15 days. All questions asked during the AGM and answers given are announced to the public on the website within a maximum of 30 days following the date of the AGM. The Company notes that there are no questions asked on matters not related to the AGM agenda and not answered during the AGM held for the 2013 financial year.

Candidates to be elected to the Board are obliged to disclose a wide range of information covering nearly all aspects put forward by the CMB Rules. These requests comprise for example, their educational background, previous board membership(s) and experience, financial status, and independence considerations. All of this information was provided to the shareholders at the 2013 AGM.

The AoA enables the AGM (with a majority of three-fourth) to allow Board members to be engaged in business with the Company or competition against the Company. Once again, no Board member made use of this authorization and was involved in

business or competitive activities with the Company during the 2013 financial year.

Remuneration of the Board members is subject to shareholder approval at the AGM. A remuneration policy for Board members and executives has been disclosed. At the 2013 AGM, shareholders approved an annual fee USD 65,000 for each independent Board member.

Finally, as per local regulation, the Company also gave information regarding the transactions of the "Related Parties" that took place during the 2013 financial year at the AGM. The total amount of transactions between the Company and ATU whose 50 percent shares are owned by the Company, and TAV Construction surpassed 10 percent of the Company's 2013 consolidated revenues.

1.1.3 After the General Meeting

As a follow-up to the meeting, minutes are made available for the examination of shareholders at the Company's headquarters. This information is also disclosed on the Company's website (in English and Turkish) summarizing and reflecting the meeting in a short but clear manner.

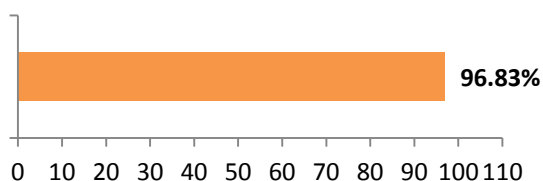
Information pertaining to previous annual meetings of shareholders is stored on the Company's website and is easily accessible. The English versions of the invitation, summary of the voting results, etc. have all been uploaded on the Company's website for the previous seven years (AGM & EGMs held in 2006, 2007, 2008, 2009, 2010, 2011, 2012, and 2013).

There is information in the Company's AoA as to how the votes are collected but not on how they are counted. Upon previous engagement with the Company, it was disclosed that the votes are counted after each item using a tag system and that the result of each item voted is announced by the chairman of the council.

In compliance with the CMB Rules, in cases where questions are raised by shareholders that cannot be answered immediately, the IR Department is responsible for providing a response in a fast manner.

SECTION II - PUBLIC DISCLOSURE & TRANSPARENCY

PUBLIC DISCLOSURE & TRANSPARENCY



SUMMARY

TAV Airports attains a score of 9.68 in this category which is an increase since the update of 9.65. The main reasons for the decrease relate to the fact that no quantifiable sustainability targets have been provided by the Company and the Company's sustainability report has not been updated during the 2013 financial year.

The **Disclosure Policy** has been provided on the Company's website, which was also included as an Appendix to the AGM material. This document contains TAV Airports' policy on how it will approach public disclosure of material events. The Company's Board is responsible for overseeing, reviewing and improving the Disclosure Policy. The IR Department is charged with overseeing and monitoring all matters regarding public disclosures.

TAV Airports also discloses a **Code of Ethics**, and a comprehensive **Insider Trading List** on its website. With regard to TAV Airports' Code of Ethics, this document is a set of essential rules that have been formulated to govern the Companywide relationships, the relationships between the Company and its employees, and the relationships with customers, suppliers, and other stakeholders. Additional safeguards governing the behavior towards clients, employees and corporate governance principles are also formalized in this document.

There have been no major changes in the management or operational organization of the

Company during the period under review, nor are any such changes envisioned for the near future. In the case such change does occur, the Company confirms that it will share with the public within the scope of legislative requirements.

A **website** for investors is easily accessible and is continuously improved. As for the Company's **annual report**, it is detailed in terms of form and content and contains a corporate governance section that explains the Company's rationale for opting-out of key governance provisions.

GOVERNANCE FOCUS
+ Disclosure Policy is established and covers material disclosure aspects
+ Disclosure proceedings are clearly defined and assigned to high level personnel
+ A Code of Ethics has been disclosed
+ The Company's website provides a good level of resource for investors

2.1 DISCLOSURE – PRINCIPLES & MEANS

2.1.1 Information Policy

The Disclosure Policy document has been disclosed to the public and is accessible through the Company's website. The Company's main disclosure principle is to share information on its performance and forward-looking developments within the scope of generally accepted accounting principles and Capital Market Legislation, in a fair, complete, accurate and comprehensible manner to shareholders, investors, and other capital market participants. Except trade secrets, TAV Airports believes sharing information on activities and related strategies, critical subjects, risks and growth opportunities with the public will create a more efficient market for the Company's capital markets instruments.

To underline the importance placed by TAV Airports on public disclosure, the Board has been tasked to enforce, supervise and develop the Disclosure Policy. In turn, the IR Department is charged with observing

and controlling all issues concerning the Disclosure Policy.

The Disclosure Policy covers forms and methods of disclosure, authorized personnel regarding public disclosure, how investors are dealt with, and procedures with regard to forward-looking statements. Forward-looking statements made in the Company's written documents are identified and accompanied with disclaimers on risks, uncertainties and other factors that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such statements will only be made by authorized representatives. According to the Company's Disclosure Policy, forward-looking statements are based on reasonable assumptions and estimates and can be revised upon deviation due to unforeseeable risks and developments. For example, in November 2013, the Company disclosed its revision of revenue growth targets due to the depreciation of the Turkish lira against other currencies.

The Company has stated its adherence to the following principles regarding disclosure: (i) all amendments to the Disclosure Policy should be presented at the AGM and be disclosed to the public after the Board's approval; (ii) developments that may affect the Company's capital market instruments are to be disclosed to the public without delay; (iii) significant changes in the financial status or operations should be disclosed; and (iv) previously disclosed information should be monitored and updated if deemed necessary.

2.1.2 Disclosure Procedures

After reviewing TAV Airports' public disclosures, ICS has found no issues that would harm investors' interests. Given TAV Airports' shares are traded on the BIST in Turkey; announcements made to the BIST are simultaneously translated into English and put on the Company's website. Also, the Company now publishes its financial statements in Turkish and English to the Public Disclosure Platform, in line with the new CMB Rules. The disclosures in English are drafted as summary documents that are consistent

with the original disclosure in Turkish and are sufficiently accurate, complete, direct, comprehensible and adequate for the decision-making purposes of the parties who will benefit from the announcement.

In 2013, 24 material disclosures were made to the public. These material disclosures were also posted on the Company's website. Company press releases can also be found on the website.

The responsibility for public disclosure is clearly defined and assigned to specific individuals within the Company. Press statements for written and visual media and to data distributors can only be made by designated individuals within TAV Airports. Unless being specially assigned such responsibility, TAV Airports' employees cannot answer questions coming from capital market participants.

The IR Department is very active in publicly disclosing all information on the Company. The Department, managed by Ms. Nursel Ilgen, continues to report directly to the CEO. This department continues to manage relationships between the Company and its shareholders and to ensure that all shareholders can fully exercise their right to information. It should be noted that in the Pan-European Investor Relations Survey conducted by Thomson Reuters Extel Surveys annually among 15,000 professionals working in fund management and brokerage firms worldwide, TAV Airports was voted "Best Company in Investor Relations – 1st in Turkey (3rd in the European Transport Sector)," and "Best Investor Relations Officer – 2nd in Turkey (3rd in the European Transport Sector) in 2013". In 2014, According to the survey, TAV Airports (TAVHL) has been voted the "Best Company in Investor Relations– 1st in Turkey (5th in European Transport Sector)", "Best CEO for Investor Relations" – 1st in Turkey (3rd in European Transport Sector), "Best CFO for Investor Relations" – 2nd in Turkey (4th in European Transport Sector), "Best Investor Relations Officer" – 1st in Turkey (2nd in European Transport Sector).

Finally, TAV Airports has an email distribution list, to which it sends the public disclosures in Turkish and in English after the disclosure is made to Public Disclosure Platform.

2.1.3 Transparency Issues

Transparency issues cover ethical behaviour, insider trading rules and the functions of the external audit. TAV Airports has issued a Code of Ethics to provide guidance for its business activities. This Code can be found on the Company's website. For more information on the Company's Code of Ethics, please refer to the "**Stakeholders**" section of this report.

In order to prevent insider trading, TAV Airports tries to enforce necessary measures and precautions. TAV Airports provides a comprehensive list of executives and other third parties who potentially have access to information that can impact the value of the capital market instruments issued by the Company. This list can be found both on the Company's website.

With regard to insider trading, all employment contracts at TAV Airports include the following clause: "The employee understands that 'insider trading' transactions are prohibited ('Insider trading' means stock trading in violation of competition and honesty, using information on the financial position of a publicly traded company or any other information that can affect the share price of the company before other investors can learn of it). Therefore, the employee accepts and commits to not using any information or documents on the Company's financial position, or any other information that can affect the value of the Company's publicly traded shares, acquired as a result of managerial position, or any other position in the Company, or through other means in or outside of stock market trading for the purpose of making a profit on his/her own behalf or on behalf of another person."

The Company has also published a Fraud and Bribery policy in May 2014. The Fraud policy applies to any fraud, or suspected fraud, involving employees as

well as shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies and/or other parties with a business relationship with the Company. The Fraud policy document highlights the actions constituting fraud, administration of the policy, reporting procedures, etc.

The Anti-Bribery policy, on the other hand, deals with ensuring that the Company and its subsidiaries meet legal obligations and prevents, detects and eliminates corrupt practices, and cooperates to reduce opportunities for bribery. The Policy document defines bribery, how the policy is applied and highlights the employees' responsibility.

At the last AGM, the Company's shareholders approved the appointment of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited) to audit the Company's financial statements for the 2014 financial year. The Company's previous auditor that audited the 2013 financial year financial statements was Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş (a member firm of KPMG). The change in auditors was announced on 17 December 2013 to the public. Upon engagement, the Company stated that according to the CMB regulation, a company shall be audited by the same independent auditor at the most seven years. TAV Airports had been working with KPMG for seven years and that is why the change in auditor has occurred.

Upon engagement with the Company, ICS was informed that Ernst & Young do not provide any consulting services and as such is considered as independent from having other business interests that may impede the objectivity of the auditing services.

As for the rotation of auditors, the CMB requires mandatory chief auditor rotation within a maximum period of seven years, which is the case at TAV Airports.

2.2 ANNUAL REPORT

GOVERNANCE FOCUS
+ Detailed information on the Board of directors
+ Key risks and mitigation efforts are disclosed
+ Detailed information on the Company's operation and strategy
+ A sustainability report has been included in the annual report, which has been prepared in accordance with GRI standards

Overall, the annual report continues to be well prepared and houses all of the pertinent content and information relevant for investors. For example, TAV Airports' Corporate Governance Compliance Report, risk management philosophy, and general investor information can all be found in both tabular and graphic form. Financial information is presented in a manner that is easy to follow and the notes to the financial statements clarify the content.

A Statement of Responsibility, signed by the Audit Committee Chair, Audit Committee Member, and Financial Affairs Director, has been included in the annual report. This statement is present to show that the Board and the Audit Committee have approved the consolidated financial statements for the 2013 financial year. According to the Company's independent auditor, KPMG, the financial statements truly reflect the current financial status of the Company.

There is a dedicated section on the Company's efforts with regard corporate social responsibility (CSR) in the annual report. It outlines a thorough and concrete plan regarding employees' social rights and the environment. It also highlights reductions and advances the Company has made in areas such as energy consumption, sustainability and human rights.

There is a risk management mechanism in place and a detailed explanation of the different types of risks encompassed. For more information on the Company's risk management and internal control

systems refer to the "**Board of Directors**" section of this report.

Once again, there continues to be no information on the opinion of a credit rating agency on the Company in its annual report. This is due to the fact that the Company has not applied for a rating and procures project finance loans through alternative means that do not require a rating. This continues to be the case today.

According to the annual report, the Company's activities have caused no infringements of the environmental legislation, and information regarding lawsuits is fully disclosed. There is no information, however, on fines levied against TAV Airports as a result of legislative practices or on warnings or administrative fines from public authorities. Information provided by the Company reveals that no fines were levied against them.

In conclusion, while the Company's annual report provides basic elements, there is still room for improvement to cover more items. Issues that could be added in the annual report include, but are not limited to, the following: a statement referring to how the Company prevents conflicts of interest between the Company and related companies offering investment, consulting and auditing services; and the level of attendance of Board members at Board and Committee meetings.

2.3 WEBSITE

TAV Airports has created a dedicated website (<http://ir.tav.aero>) for IR where shareholders may find information on the Company's corporate governance practices, financial statements, annual reports, sustainability reports, etc. As a means of communication the use of the website is also subject to and incorporated in the Company's Disclosure Policy. In addition, the website is now also available on mobile phones and devices

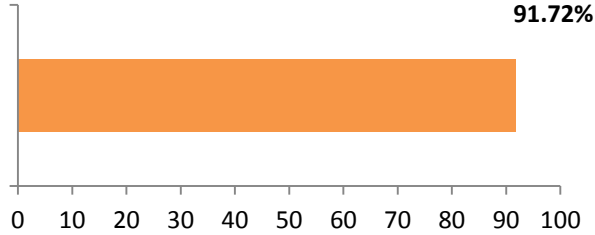
The Company's website is robust and continually updated. The content is structured in a sound

manner, where investors find relevant documents suggested by the CMB for inclusion. Features like the interactive investor toolkit, FAQ, AGM Kit, and Media section are all positive steps taken by TAV Airports which demonstrates its belief in informing its shareholder to the fullest extent. Most recently, the Company added the feature for investors to submit all types of questions to the IR Department and establish active communication with the Company's management by sending messages to the Company's Board.

The website is considered by ICS as a sufficient vehicle for shareholders to access information on the Company. For foreign investors an English version of the website is also available, which does not differ in content from the Turkish version.

SECTION III - STAKEHOLDERS

STAKEHOLDERS



SUMMARY

The Company has scored 9.17 in this category, which is an increase 9.00 when compared to the last update. The Company's corporate governance practices and **Code of Ethics** ensure the protection stakeholders' rights as stipulated in legislation or mutual agreements. Stakeholders are continually kept informed within the framework of the Company's Disclosure Policy, established with respect to governing legislation and the Company's Code of Ethics.

The Company's Code of Ethics provides the essential rules to be applied in the relationships between the Company and its stakeholders, namely the employees, customers, environment, and wider community. However, there are no concrete measures in place to avoid conflicts of interest between the Company and its stakeholders.

Although no formal procedures have been devised and disclosed by the Company publicly, the Company appears to be in contact with its stakeholders and engaged with its employees. TAV Airports' annual report suggests that all feedback received from the stakeholders is presented to senior management for evaluation and solution proposals and policies are developed from such feedback.

A **Human Resources policy** is in place and disclosed publicly. In accordance with its policy, the Company

offers equal opportunity to people with the same qualifications in recruitment and career planning.

It should also be noted that TAV Airports' application has been accepted for participating in the 'Equality Platform' set up in trust of the Ministry of Family and Social Policies which is assigned to the task group formed under the roof of the World Economic Forum and stepped into action to minimize the gap between the sexes in the economic sector of Turkey. The platform, where Turkey's leading companies are accepted to attend, works for an environment where women can get involved more, actively take part in decision making mechanisms and benefit from the opportunities and resources equally.

GOVERNANCE FOCUS
+ Companywide human resources policy
+ Employee rights are warranted
+ Code of Ethics governing Companywide relationships disclosed publicly
+ A sustainability report has been published
- No formal model to include employees and/or stakeholders in the Company's management, but some actions in place
- Equity not considered when determining pay

There is also a **Corporate Social Responsibility (CSR)** section in the annual report and website outlining TAV Airports' social and environmental efforts. TAV Airports published its first **Sustainability Report** in accordance with GRI standards for the 2010 financial year and later revised accordingly in 2011, 2012, and 2013. An updated version of this report has not been published as at the date of this rating report. According to the TAV, the Company and its subsidiaries have international quality control plans for their operation areas and quality control audits are conducted in compliance with international standards.

3.1 RIGHTS & DUTIES OF STAKEHOLDERS

The rights and duties of stakeholders remain to be entrenched at the Company. TAV Airports recognizes and guarantees the rights of employees in its Code of Ethics (which can be found on the Company's website).

Stakeholders are kept informed by the Company through annual reports, material event disclosures, press releases, meetings, and its website. In addition, a corporate intranet and magazines have been created in order to keep the employees informed. Stakeholders can directly contact via e-mail members of the Corporate Governance and Audit Committees as well as individuals authorized to disseminate information as prescribed by the Company's Disclosure Policy with regard to the Company's conduct or transactions in breach of applicable law and regulations or ethical norms.

There is also a CSR section in the annual report where information on TAV Airports' social initiatives is detailed. TAV Airports' website also has a dedicated section regarding the Company's stance on environmental reporting. The Company's sustainability report used the Global Reporting Initiative (GRI) standards as a reference for presenting its content. The Company notes that it complies with all regulations regarding the environment. However, we note that the Company's Sustainability Report has not been updated during the 2013 financial year and no quantifiable sustainability targets have been disclosed by the Company publicly.

In the event that conflict of interest situations arise between stakeholders or a stakeholder belongs to multiple interest groups, the Company pursues as balanced a policy as possible in order to safeguard every right of all parties and strives to protect each and every right independent from each other. ICS notes, however, TAV Airports could benefit from publishing a new policy that establishes concrete measures on how potential disputes between the Company and the stakeholders are dealt with. According to the Company, however, no conflicts

have occurred to date. This remains the case again this year.

3.1 RELATIONS WITH CUSTOMERS & SUPPLIERS

As a holding company, TAV Airports determines the general policies for regulations and practices geared towards achieving the satisfaction of customers of its subsidiaries. It provides maximum support to its subsidiaries and in, some circumstances enters into contracts with third parties on these matters, to ensure customer satisfaction.

Customers are provided with opportunities to easily communicate their needs and complaints are responded to and resolved as quickly as possible. As part of this effort, passengers and employees participated in client and employee satisfaction surveys. The results of the survey affirmed the importance TAV places on external customer satisfaction.

Customers are also provided with opportunities to communicate their needs and complaints through a variety of ways and the Company informed us that these requests are responded to and resolved as quickly as possible.

3.2 PARTICIPATION IN MANAGEMENT

Employees do not take part in the management of TAV Airports. To date, no specific measures have been set up to ensure an integral model to include employees in the Company's management. However, according to the annual report and previous correspondence with the Company, employees are constantly encouraged to participate in the Company's management, and their suggestions aimed at the improvement of the business are taken into consideration, assessed accordingly and rewarded. This can be seen through the Company's performance management system, employee satisfaction surveys and other programs. It is also important to note that some executives of TAV Airports can become Board members at TAV Group's subsidiaries.

The Company states that employees actively participate in management. There is a matrix type organizational structure at TAV Airports which allows for employees to work in cross-functional teams on different group-wide projects. The Company stressed that the organizational culture promotes employees to share their thoughts with top management through various means, such as surveys, structured suggestions pools, and annual leaders' summit type of meetings.

TAV Airports does not provide Board membership to an employee representative, as suggested by the CMB Rules. The Company continues to affirm that this need is met by the presence of independent directors on the Board. Through engagement, the Company noted that some of the TAV employees who are not permanent board members are working with board committees actively and that this assures the link of the organization's strengths and perspective with necessary board decisions.

As for stakeholders, there is no comprehensive model being implemented to include stakeholders in the Company's management. However, in order to take into account the stakeholders' opinions, the Company has put some measures in place. For example, shareholders are continuously informed via the IR Department and the Company's website. Upon engagement, the Company also noted that opinions, suggestions and demands of stakeholders are conveyed to its management team.

ICS considers it essential that TAV Airports commit itself to formulate and incorporate formalized mechanisms to ensure a stronger recognition of employee and stakeholder matters.

TAV Airports have applied for the certificate within the scope of Equal Opportunities Model (FEM) of KAGIDER (Women Entrepreneurs Association of Turkey) issued by World Bank and KAGIDER for the voluntary participation of the companies. Bringing equal opportunities certification to the companies, the model reviews the status of the companies within the given criteria and audits the information

declared through an independent company. As TAV Airports Holding and TAV Istanbul, the Company has drawn up its contract in order to receive FEM Certificate. The Company's works have been completed with respect to the required criteria and the Company plans to receive the certificate by the end of 2014 after the completion of the audit by an independent board by the end of August 2014.

TAV Airports Holding participated in the Social Gender Equality in Working Life Award contest organized by the Ministry of Labour and Social Security in February 2014. During the award ceremony held on 12 May 2014, TAV Airports Holding was presented a Certificate of Appreciation by the Minister of Labour and Social Security.

3.3 EMPLOYEES & SOCIAL RESPONSIBILITY

Employees

As of December 31, 2013, TAV Airports, including all of its subsidiaries, has a total of 23,698 employees. No complaints related to discrimination were received from employees.

To manage its large workforce, TAV Airports has a written human resources policy which is available on the Company's website. This policy talks extensively about training employees on the job as well as promotion procedures.

As a part of the succession mechanism established for the Company's senior management; a structured Leadership Development Program and Talent Management Program were implemented at TAV Airports in 2013. This program aims to develop the requisite skill-set of senior management by providing and developing the necessary expertise and talents determined at the Talent Management Program. This prepares identified individuals for senior management roles within the Leadership Development Programs and thereby establishes a succession planning framework for the Company.

There is information on the professional and personal training of employees, and the different training categories are outlined on the website and in the annual report. According to the Company,

there are regular sessions organized to inform all employees about the Company's financial capability, training, and health. The Intern Career Development Program that was introduced in 2012 consists of training programs and activities that will contribute to the career planning and personal development of the interns.

Relations with customers and employees are evaluated on the basis of their responsibilities, qualifications, work development and contribution to the Company's objectives. Outstanding performance is differentiated from all others and rewarded by various benefits. With respect to performance based compensation, the Company revealed that it has mechanisms in place to accurately account for the performance of employees based on productivity metrics and this is reflected in their pay.

TAV Airports' Code of Ethics sets out the rules and principles that all executives and employees are obliged to comply with. The Code, in addition to being on the website, has been published on the Company's Intranet and share with its employees through workplace programs and performance evaluation forms.

One area where the Company has yet to show any improvement against the recommendations of the CMB is the fact that equity has not been utilized to pay its employees. To this end, the Company states that the non-use of equity will be considered now given the changes made to the TCC.

Social Responsibility

The Company provides extensive information on its social responsibility activities within its annual report as well as on its website, thereby proving that it is well aware of its role in society according to social and environmental issues.

TAV Airports complies with all regulations regarding the environment, consumer and public health, as well as ethics rules, and directs and supports its subsidiaries to behave in the same manner. The Company's terminal operating subsidiaries conduct

their operations in compliance with environmental legislation, directives and guidelines of international aviation organizations such as the ICAO, ECAC, EUROCONTROL and IATA, as well as the Equator Principles of the World Bank.

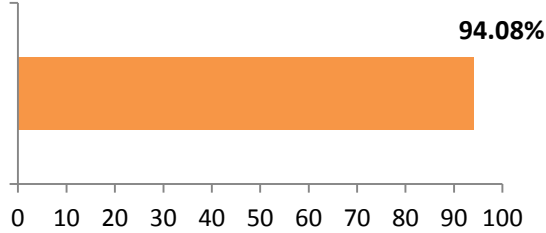
It should also be mentioned that TAV Airports collaborates with renowned international universities; such as Harvard Business School, Columbia and Georgetown on talent growth and development. Students are able to work on projects that contribute to the Company's success with the additional benefit of supporting their personal and professional development. Furthermore, TAV Executives participate at local reputable universities on social responsibility projects.

As for the environment, TAV Airports has also provided information on its sustainability efforts. The Company notes that due to the nature of their operations, the Company and its subsidiaries are not legally obligated, within the scope of Environment Law and its related legislation, to produce environmental impact assessment reports. Nevertheless, the Company's relevant subsidiaries prepare environmental reports and environmental management plans during both the construction and operation phases of terminals and comply with updated environmental management plans.

The Company's 2010 sustainability report was prepared in accordance with the globally accepted Global Reporting Initiative (GRI) Sustainability Reporting Guideline (G3.1) requirements and the GRI Airport Operators Sector Supplement (AOSS). This report includes the Company's improvement efforts and the objectives set for the airports operated by TAV in Turkey. Updates were last made to the report in 2013.

SECTION IV - BOARD OF DIRECTORS

BOARD OF DIRECTORS



SUMMARY

TAV Airports has improved its score to 9.40 in this category when compared to last year's score of 8.93. The Company's current Board consists of eleven members, of which the number of independent non-executive directors (NEDs) remains at four. Mustafa Sani Şener is the longest standing member of the Board and has served the Company in this capacity for 17 years.

Following the recent changes that took place with respect to the Board's composition in recent years, ICS notes that the composition of the Company's Board complies with the CMB's Rules that one-third of the Board be comprised of independent NEDs. In addition, the compositions of the Board's key Committees are also in line with the CMB Rules. The suggested separation of the Chairman of the Board and the CEO is followed. Hamdi Akin serves as the Board's Chairman and Mustafa Sani Şener serves as the CEO.

TAV Airports continues to implement positive changes to its Board practices. The Company has an induction program for new Board members. The program stipulates that each new member is required to attend training sessions covering different areas of the business regarding its strategy and structure. Subjects such as company strategy, corporate communications, financial modelling, civil aviation principles, and human capital management are also part of the adaptation program. The

Company is also now in the process of implementing a diversity policy for its Board.

The Chairman of the Board evaluates the competencies of each Board member at the end of the year by filling out the "Competency Evaluation Form – Board Member". The results of the evaluation are then shared with the related Board member and Human Resources Directorate by Chairman of the Board.

Each Board member has one vote without any privileges. Attendance at Board meetings is encouraged and all Board members need to be present in-person at meetings where important matters concerning the operations of the Company are going to be discussed.

There continues to be a robust risk management and internal control system in place at TAV Airports, which have been made more vigorous over the years.

GOVERNANCE FOCUS
+ The Board plays an active role in the Company's strategic planning
+ The Company does not lend money to Board members or executives
+ Each Board member is entitled to one vote
+ A secretariat has been established to support the Board
+ The majority of the Board is composed of NEDs
+ The Board has four independent NEDs
+ There is a formal induction program
- Board members are not restricted to accept other positions outside the Company
- Performance-based pay is in place, but with limited disclosure

4.1 PRINCIPLES OF ACTIVITY, DUTIES, AND RESPONSIBILITIES OF THE BOARD

As stated in the AoA, the Board defines TAV Airports' mission and vision and is thereby leading the Company.

Following a review, TAV's Board appears to fulfill its duties with diligence and meets its responsibilities. All of the nominated and appointed members of the Company's Board possess the qualifications stipulated in CMB's Rules. Before commencing work, Board members have to declare compliance with all necessary internal and external regulations in writing.

The Board is structured to ensure maximum influence and effectiveness. Article 13 in the Company's AoA stipulates the principles regarding this matter. It is the Company's aim to appoint Board members who possess the fundamental knowledge regarding the legal principles governing the Company's transactions and business, are qualified and experienced in corporate management, possess the capability of examining financial statements and reports, and preferably have graduate degrees. Background information of the members of the Board is included in the annual report and Company website. After reviewing the Board members' experience again this year, ICS concludes that such requirements have been met by the Company's Board members.

It is mandatory that independent Board members issue an independence declaration. Such declarations have been provided by the independent Board members in the Company's annual report. Also, these independent Board members need to inform immediately the Board in case their independence is compromised. In such event, in principle, a member whose independence has been compromised resigns and a new member is elected in his/her place.

Concrete mechanisms used to keep Board members regularly and comprehensively informed on pertinent matters are not explained, but there is a

secretariat with the aim of keeping Board members informed. The information on the attendance of Board members to the meetings is also not publicly disclosed.

TAV Airports does not impose any rules or restrictions on its Board members assuming additional duties outside of the Company. Nevertheless, as suggested by the CMB Rules, the Company's AoA provides guidance to the issue of Board members engaging in business or competitive activities with the Company. Such activities have to be approved by three-fourths of the Company's shareholders at the AGM. The annual report states that no Board member engaged in any business or competed with the Company during the 2013 financial year.

An official declaration confirming the careful preparation of financial statements is provided by the Board, the Audit Committee and the responsible financial officers in the latest annual report.

Turkish Law foresees the joint liability of the Board. In accordance with this, the AoA states that the Board should perform and carry out its duties in accordance with the provisions of the Capital Markets Law, Turkish Commercial Law and the AoA. There are no sanctions foreseen for employees that obstruct the flow of information to Board members, apart from the ones foreseen in Turkish Labour Law. TAV Airports may consider including those in internal regulations or in the AoA in the future.

4.2 BOARD STRUCTURE

The Company's AoA suggests a Board size of 11 members. In addition, the Company's AoA stipulates that it will have sufficient independent representation on its Board as required by the CMB. There is no age limit prescribed in the Company's AoA. Pursuant to the current AoA, Board members are elected for a maximum period of three years, with re-election possible at the end of term.

The composition is made up of three members appointed by Aéroports de Paris Group, three

members appointed jointly by Tepe and Akfen, four independent members, and the CEO.

Of the ten NEDs, four are considered to be independent. As such, TAV Airports meets CMB's Rules that one-third of a Board be comprised of independent directors. It should be noted that independent Board members are obligated to submit a written statement of independence to the Board and immediately inform the Board when their independent status ceases.

Appointed Board members at TAV Airports seem to be highly qualified and show a high level of knowledge and experience, reflected in long-lasting career backgrounds.

The suggested separation of the Chairman of the Board and the CEO is followed. Hamdi Akın serves as the Board's Chairman and Mustafa Sani Şener serves as the CEO. Augustin de Romanet serves as the Deputy Chair of the Board.

Name	Role	Independent
Hamdi Akın	NED	
Augustin de Romanet	NED	
Ali Haydar Kurtdarcan	NED	
Mustafa Sani Şener	ED	
Abdullah Atalar	NED	
Laurant Galzy	NED	
Edward Arkwright*	NED	
Tayfun Bayazıt	NED	*
Necmi Bozantı	NED	*
Jerome Calvet	NED	*
Sevdil Yıldırım	NED	*

*Edward Arkwright replaced Pierre Denis Graff in August 2013.

As for diversity on the Board, ICS notes that there is currently only one woman serving on the Board, Ms. Sevdil Yıldırım. The Company states that it is in the process of devising the policies for setting a target ratio of female members on the Board, not to be less than 25 percent, and a deadline for implementation.

TAV Airports implemented a formal training and compliance program for new Board members. Board members are expected to complete up to seven hours of training upon appointment to the Board.

4.3 BOARD COMMITTEES

4.3.1 General

TAV Airports has established an Audit Committee, Corporate Governance Committee, Nomination Committee, and a Risk Assessment Committee to assist the Board.

All Committees (Corporate Governance and Audit Committees were available in 2011, the other two were formed in 2012) met on 7 occasions during the 2013 financial year. Upon engagement, the Company confirmed that all meetings were attended in full; such disclosure should be provided in future annual reports. The charters of Committees state that Committees shall meet at least one day prior to each meeting of the Board.

According to the Company, due to the shareholding structure some Board members serve on multiple Committees at the same time. This is against the CMB Rules.

4.3.2 Audit Committee

The Audit Committee, reporting directly to the Board, oversees the financial and operational activities of the Company. The Audit Committee scrutinizes the effectiveness and adequacy of the internal control and internal audit. According to the Company, and in accordance with CMB Rules, the Audit Committee is tasked with responding to complaints and suggestions put forward by any member of the Company.

The Company's AoA stipulates that the Audit Committee shall meet at least once every three months upon the invitation of the Committee Chairman. Senior executives responsible for financial affairs are not allowed to be Audit Committee members.

The external audit firm is invited to the meetings of evaluation of the financial statements if the Audit Committee members consider that its presence could help clarify issues.

The Committee's current composition is as follows:

Name	Role	Independent
Necmi Rıza Bozantı	Chairman	x
Tayfun Bayazıt	Member	x

ICS notes that the Committee Chairman, Necmi Rıza Bozantı, is considered to have recent and relevant financial experience to serve in such role. In addition to his academic background where he has an accounting masters and PhD on general economics, ICS notes that he has an extensive banking career.

4.3.2 Corporate Governance Committee

A Corporate Governance Committee has been established reporting directly to the Board. The charter of the Corporate Governance Committee is available on the Company's website in English.

This Committee's function is to assist the Board in creating and improving the Company's governance structure and practices. The Committee is also tasked to review the Company's remuneration practices and the workings of the IR team.

According to the Committee's Charter, this Committee needs to consist of six members, of which two shall be independent members of the Board (one of whom will be the Chairman of the Committee).

The Committee's current composition is as follows:

Name	Role	Independent
Tayfun Bayazıt	Chairman	x
Sevdil Yıldırım	Member	x
Edward Arkwright*	Member	
Augustin de Romanet	Member	
Ali Haydar Kurtđarcan	Member	
Pelin Akın**	Member	
Nursel İlgen***	Member	

* Edward Arkwright replaced Pierre Denis Graff.

** Pelin Akın is not a Board member.

*** In accordance with Article 11/2 of the Corporate Governance Communiqué (II-17.1) by Capital Markets Board, the Company's Investor Relations Director, Mrs. Nursel İlgen, is elected as a new member of the Corporate Governance Committee.

Tayfun Bayazıt is the Chairman of the Corporate Governance Committee and is an independent Board member, which is in line with the CMB Rules. In addition, the Committee has two independent members, which again meets the CMB Rules. Finally, the CEO and CFO do not take part of this Committee.

4.3.3 Remuneration Committee

A separate remuneration committee has not been created as the Corporate Governance Committee fulfils its mandate. More specifically, the Corporate Governance Committee carries out works to specify the approach, principles, and practice concerning the performance evaluation, salary and promotion policies as well as career planning of the Board members and top-level managers.

4.3.4 Nomination Committee

A separate Nomination Committee has been created which is specifically tasked to establish a transparent system and develops policies and strategies related to the determination of candidates suitable for the Board and for the top level management. This Committee is also responsible for making regular evaluations regarding the structure and efficiency of the Board and to submit recommendations with regards to the changes that could be made to the Board

According to the Committee's Charter, this Committee needs to consist of six members, of which two shall be independent members of the Board (one of whom will be the Chairman of the Committee).

The current composition of the Nomination Committee is as follows:

Name	Role	Independent
Sevdil Yıldırım	Chairman	x
Tayfun Bayazıt	Member	x
Augustin de Romanet	Member	
Laurent Galzy	Member	
Ali Haydar Kurtđarcan	Member	
Hamdi Akın	Member	

4.3.5 Risk Assessment Committee

As recommended by the CMB Rules, the Company has also established an Early Risk Detection Committee. The current composition of the Risk Assessment Committee is as follows:

Name	Role	Independent
Jerome Calvet	Chairman	x
Necmi Rıza Bozantı	Member	x
Augustin de Romanet	Member	
Laurent Galzy	Member	
Ali Haydar Kurtarcan	Member	
Selim Akın*	Member	

* Selim Akın is not a Board member

This Committee regularly assesses, together with the general management, the main risks to which the Group is exposed. In addition, amongst other duties, the Committee examines all significant off-balance sheet liabilities and monitors the effectiveness of the risk management systems.

4.4 EXECUTIVES

The day-to-day running of the Company is assigned to the senior management, consisting of 26 executives. Previous correspondence with the Company revealed that monthly reports of the performed works by the executives are prepared, as recommended by the CMB.

Management liability insurance has been implemented and the Company also has D&O insurance for its Directors. Furthermore, the Company announced in February 2014 that the total amount of the "executive liability insurance" for the Company's Board and senior executive managers was increased to USD 45 million, equivalent to an amount exceeding 25 percent of the Company's capital.

Within ICS's analysis, no issues have been revealed that would cause doubt about the transparent, reliable and accountable work of the executives. The CEO is reporting at the Board meeting and the Company's results are scrutinized every month in comparison to the budget. Although there are no internal rules or documentation on this, upon engagement the Company stated that executives are

to compensate losses that occur as a result of not performing their duties properly. In that case, general provisions would apply.

New executives have to qualify according to professional as well as to personal requirements and have to undergo a sophisticated selection process. In line with the CMB Rules, the CEO does not have any additional outside duties.

Below is the list of the Company's current senior management team:

Name	Role
Mustafa Sani Şener*	CEO and President
David Olivier Tarac	Senior Vice President-Consumer Services and Deputy CEO
Burcu Geris	Vice President - CFO
Serkan Kaptan	Vice President - Business Development
Yiğit Oğuz Duman	Vice President - Business Support
Altuğ Koraltan	Internal Audit Director
Waleed Youssef	GCC Director
Haluk Bilgi	North Africa Director
Ersagun Yücel	General Secretary
Ceyda Akbal	General Counsel
Mehmet Erdoğan	Foreign Affairs Director
Nursel İlgen	Head of Investor Relations, Director
Deniz Aydın	Financial Affairs Director
Kemal Ünlü	Vice President, General Manager
Bengi Vargul	Corporate Communication Director
Nuray Demirer	General Manager
F. Erkan Balcı	General Manager
Mete Erkal	General Manager
Sofienne Abdessalem	General Manager
Bora İşbulan	General Manager, TAV Operations
Binnur Onaran	General Manager, TAV IT
Turgay Şahan	General Manager, TAV Security
Nurzat Erkal	General Manager, Havas
Ersan Arcan	General Manager, ATU
Sadettin Cesur	General Manager, BTA
Zoran Krtevski	General Manager
Bariş Müstecaplıoğlu	Coordinator, TAV Academy

* Member of the Board

Source: Company's website

4.5 FUNCTIONING OF THE BOARD

The Chairman, Vice Chairman, and each member of the Board have the right to invite the members at least ten working days before and/or discuss the subjects on the agenda. These invitations can be performed through electronic means and Board members may waive the right by written notice.

TAV Airports' Board convenes as required by the business, provided that it is at least six times during a calendar year. During the 2013 financial year, the board met on 7 occasions (2012:6). A Board secretariat has been established in order to prepare and assist the Board meetings as well as to ensure convenient access to information for Board members.

The Board and majority decision quorum are both stated in the AoA. The Board shall convene in the presence of at least one more than half the number of its membership and decisions shall be taken by a majority of the meeting's participants.

Each Board member is entitled to one vote without any preferential voting or veto rights. The Board cannot make resolutions on subjects that are not on the agenda. However, the Board, where all of its members are present, may decide to put a resolution on the agenda following the unanimous decision of the members.

In order to ensure adequate preparation, the agenda and relevant documentation are provided to Board members in advance. It is not stated in the Company's AoA if executives have to attend Board meetings. From previous engagement with the Company, ICS was informed that executives attend meetings on a frequent basis and when called upon by the Board.

Although all Board members are required to attend meetings in person, the Company provides the provision to attend the meetings by using any technological methods that would provide remote access. The opinions of the members, who are not able to attend the meeting but present their

opinions in writing, shall be submitted for the information of the other members.

In line with the CMB Rules, the Board members who cast negative votes must sign the minutes by also stating their justifications. The documents concerning the meeting as well as any related correspondences shall be archived by the Board secretariat.

According to the Company, the Board Secretary has a budget for travelling and meeting expenses for special working requests and similar expenses.

4.6 INTERNAL CONTROL & RISK MANAGEMENT

TAV Airports has defined and implemented a risk management mechanism and an internal control system. The Board reviews the effectiveness of the risk management and internal control systems at least once per year and presents information on the functioning and effectiveness of the internal auditing system in the annual report.

Risk Management

TAV Airports formed the Enterprise Risk Management (ERM) structure. The Risk Assessment Committee oversees the functioning of the ERM structure and gathers information from the Company's executives, attorneys and related units and performs assessments on a variety of matters including major lawsuits filed against the Company, provisions set aside against potential risks, exchange rate risk and determination of the Company's strategy against potential threats.

TAV Airports classifies risks under the categories of strategic, financial, operational and legal/compliance and assesses the impact of the risk not only in financial terms, but also along the dimensions of service continuity, reputation, loss of customers and legal/regulatory effect.

Also, in accordance with its sustainability principles, TAV Airports adopted an approach that encompasses adverse impacts stemming from social and environmental conditions, in addition to

economic circumstances, in the regions in which TAV Airports operates and that embraces the concept of managing risks proactively.

Internal Audit

TAV Airports' Internal Audit Department performs the audit of the operation, financial and information systems processes of TAV Airports and all of its subsidiaries. This Department carries out its auditing activities in accordance with an annual audit plan that is drawn up based on the results of the risk assessment performed annually and approved by the Audit Committee.

The Internal Audit Department also contributes to the sustainability of the Company by identifying and reporting the deficiencies in risk management and corporate governance processes, and the practices that cause inefficiencies and result in the waste resources. As part its auditing activities, the Internal Audit Department also liaises with the independent audit firm and examines the reports drafted by the independent audit team.

TAV Airports' Internal Audit Department successfully completed the Internal Audit Quality Assurance Review carried out by PwC. The audit report, dated December 2009, verified the Department's compliance with the International Internal Audit Standards and Ethical Principles. The Department has been conducting its activities in compliance with these standards since 2009.

The Internal Audit Department performed 18 audits in 2013 and reported on the areas of improvement that it identified in conjunction with the Audit Committee.

It should be noted that all Group companies in consolidation fall under the Internal Audit Department's auditing scope. As a result, the Department assesses the internal control system with respect to the operations that impact the financial statements and provides reasonable assurance to the management on the accuracy and reliability of the figures appearing in the financial statements.

4.7 PERFORMANCE MANAGEMENT AND REMUNERATION

Performance Management

TAV Airports has a comprehensive performance evaluation program for its employees and Board members. The Performance Management System requires all employees who work more than six months (excluding paid/unpaid leave for more than one month and sick leaves) at the TAV Group to be assessed within the corresponding evaluation year. Employees are measured against core competencies that the Company feels are vital to the success of the organization. These objectives are set by the CEO are shared with Company General Managers and Holding Directors. The objectives are then extended on the basis of departments, setting individual objectives.

Measures are set for objectives according to each employee's position category. These measures are indicated on a performance card and all employees and graded on a scale form (A++ highest representing outstanding achievement to B- indicating below expectations). The Performance Card is comprised of both financial and non-financial metrics covering company, functional, and leadership objectives.

Employees and managers are required to give feedback continually during the Performance Management process in order to ensure that the process functions smoothly and efficiently. Performance Management system is monitored on an electronic system. The views of stakeholders are also taken into consideration during the assessment of the competencies of the employees as a part of performance management system.

Remuneration

In line with the recommendations of the CMB, the Company has provided shareholders the opportunity to vote on the Company's remuneration policy. Although the disclosure surrounding its policy remains limited when compared to western standards, ICS notes that the Company's disclosure in this regard is ahead of local practice.

For Board members, the fees are determined at the general shareholder meetings and are determined based on the time required for the Board meetings, pre-meeting and post-meeting preparations and the performance of duties, as well as the salary paid to the executives. Directors are paid an annual fee of USD 65,000 to each Board member. This amount represents an increase of 30 percent when compared to the previous level of USD 50,000.

As for the executives, the remuneration policy is stated to be evaluated on continuous basis to take account of market practice and performance. In determining pay levels, external consultants are used. TAV Airports' remuneration package offered to executives consists of basic salary and performance-based cash bonuses.

Salaries are determined taking into consideration the internal balances, strategic targets, and market conditions. A general increase in salaries is implemented once a year. A two stage process is followed in the determination of the rate of yearly wage increase: first, the general corporate wage increase rate shall be determined, and then personal wage increase rates shall be specified.

The upper limit of bonuses and the total yearly bonus pool is determined by the Board in line with the Company's financial performance and budget. However, no further information has been provided on the operation of the bonus plan in the Company's public documents. Information on KPIs used to determine the payout levels will be beneficial for the Company's shareholders, if it were to be disclosed.

A stock option plan for senior managers and other employees at every level is not available. Through engagement, the Company stated that it may consider implementing one in the future.

To avoid conflicts of interest TAV Airports strictly adheres to the principle not to grant loans in any way to Board members or executives. This restriction is still in place.