



CORPORATE GOVERNANCE RATING REPORT ON

# TAV HAVALIMANLARI HOLDING A.S.



RATING RELEASE DATE

1 March 2014

(Update of 23 August 2013 Rating)

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# INTRODUCTION

ISS Corporate Services (hereafter, ICS) has updated its rating score of 9.39 (or 93.97 percent) to TAV Havalimanları Holding A.S (the "Company" or "TAV Airports") given on 23 August 2013 to 9.17 (or 91.76 percent). This rating update is based on the new methodology used by ICS and is being announced in line with the requirements of the Capital Markets Board of Turkey (the "CMB Rules").

ICS was first appointed by TAV Airports in 2009 to review its corporate governance structures 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).

Please refer to the "Rating Methodology" section for more information.

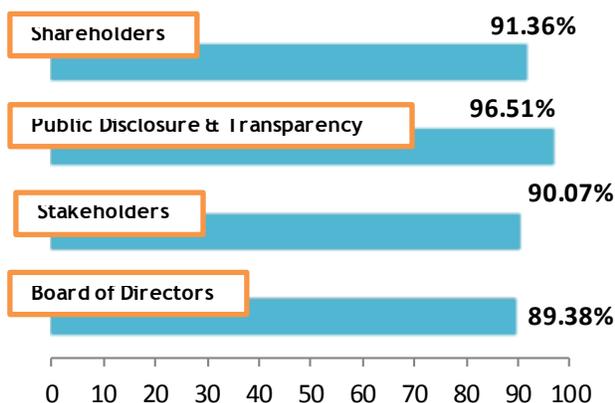
## GROUP



## OVERALL SCORE

**9.17**

## RESULTS BY CATEGORY



# 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

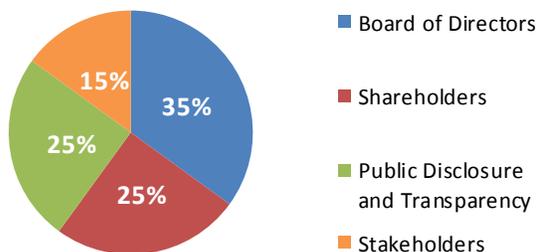
The CMB Rules classify companies in three main groups based on the systematic risk companies pose to Turkish capital markets:

- 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.

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