



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



17 August 2018

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Rating and Executive Summary

TAV HAVALİMANLARI HOLDİNG A.Ş. (TAVHL)

SAHA
Corporate Governance Rating:

9.62



MAIN SECTIONS: **Avg. 96.25**

Shareholders: 95.80



Public Disclosure & Transparency: 97.34



Stakeholders: 98.82



Board of Directors: 94.69



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of TAV Havalimanları Holding A.Ş.'s ("TAV") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Holding. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

The Holding's corporate governance rating is revised as above in consideration with the importance given by TAV to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements which had been initiated in this direction since August 2017.

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.. TAV 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>.

TAV is rated with **9.58** 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. The Holding carries out the investor relations obligations through the "Investor Relations Department". 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 Holding. There are no restrictions on transfer of shares. On the other hand, the rate of minority rights in the Holding's articles of association is adopted as prescribed for public joint stock companies (%5). A policy on donations and grants is established and disclosed to public on the corporate web site.

TAV attained **9.73** 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 the CMB and Borsa Istanbul (BIST) rules and regulations. The annual report is also comprehensive and informative. Shareholding structure of TAV Holding and the names of ultimate controlling individual shareholders as identified after being released from indirect or cross shareholding relationships between co-owners are disclosed to the public. Benefits provided to board members and senior management is mentioned collectively in the annual report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, TAV scored **9.88**. TAV 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 web site. The Holding has an effective and comprehensive human resources policy. A model has been developed to support the participation of stakeholders in the management of the Holding. Code of ethics is publicly available through the Holding's web site. Various social responsibility projects have been implemented. There is no lawsuit filed against the Holding due to any damage to the environment.

From the perspective of the principles regarding the **Board of Directors**, TAV's tally is **9.47**. There is a well communicated mission and vision, and the board fulfils all duties in accordance with the Holding's needs. Chairman of the board and the general manager is not the same person. The board consists of 11 members with 1 executive and 4 independent members. Each board member is entitled to a single vote. CMB criteria are complied with for the appointment of independent members who have each signed a declaration of independence. There are 3 female board members and the Holding has met the Corporate Governance Principles' advisory target of 25% female board membership rate. Corporate Governance, Nomination, Audit, and Risk Assessment Committees are established within the board. 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 TAV Holding's web site. Losses that may be incurred by the Holding as a result of not performing the board members' duties duly are insured. Remuneration of board members and executives with administrative responsibility as well as all other benefits provided are mentioned collectively in the annual report, but Principles dictate reporting on an individual basis.

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 Holding'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 Holding 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 Holding should be in full and perfect compliance with the Principles (see Rating Definitions, p.23).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**

Public Disclosure and Transparency: **25%**

Stakeholders: **15%**

Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

TAV Havalimanları Holding A.Ş.	
	Chairman of the Board Edward Arkwright General Manager (CEO) Mustafa Sani Şener
Istanbul Atatürk Airport International Terminal 34149 Yeşilköy, Istanbul	Investor Relations Director Nursel İlgen, CFA Tel: (0 212) 463 3000 - 2122 nursel.ilgen@tav.aero

Founded in 1997 in Istanbul as a joint venture of Tepe and Akfen groups, TAV started its operations in 2000 after winning the tender for Istanbul Atatürk Airport International Terminal. The Holding's previous title of TAV Havalimanları İşletme A.Ş. has been changed to TAV Havalimanları Holding A.Ş. as of August 7th, 2006.

The main activity of TAV and the joint ventures consist of construction of airport and terminal buildings, their management and operation. The Holding realizes the construction, reconstruction or management of an airport in the specified time and obtains the right to operate the airport in exchange for a predetermined period. TAV shares are listed on BIST since February 23, 2007, under the ticker "TAVHL".

TAV is the operator of Istanbul Atatürk, Antalya, Ankara Esenboğa, İzmir Adnan Menderes, Milas Bodrum and Gazipaşa Alanya airports in Turkey. Holding's international portfolio consists of Tbilisi and Batum in Georgia, Monastir and Enfidha-Hammamet in Tunisia, Skopje and Ohrid in Macedonia, Medina, Yanbu, Hail and Qassim in Saudi Arabia, and Zagreb Airport in Croatia. TAV is also involved in other areas of airport operations such as duty free sales, food and beverage services, ground services, informatics, security and management services. In this framework, TAV operates duty free, catering and other commercial areas in Riga Airport in Latvia. Along with its subsidiaries, the Holding has provided service to 836,000 flights and 115 million passengers in 2017.

From the distributable profit of the year 2017, a total gross cash dividend distribution of TL 406,371,533 (gross TL 1.1186141 [111.86141%] for each share with a nominal value of One TL) starting from March 28, 2018 was approved at the general shareholders' meeting of the year 2018.

The Holding shares are traded under "TAVHL" code at BIST National Market and TAV is a constituent of BIST 100 (XU100), BIST All Shares (XUTUM), BIST 30 (XU030), BIST 50 (XU050), BIST Holding and Investment (XHOLD), BIST Corporate Governance (XKURY), BIST Financials (XUMAL), BIST Istanbul (XSIST), BIST

Sustainability (XUSR), BIST Dividend 25 (XTM25), BIST National (XULUS) and BIST Stars (XYLDZ) indices.

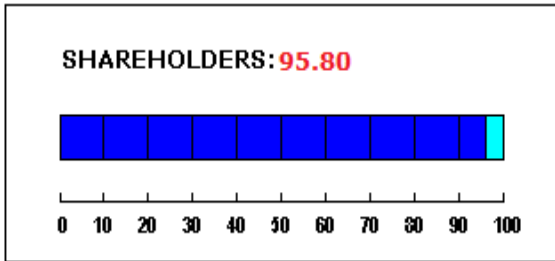
TAV's capital structure is as follows:

Capital Structure		
Shareholders	Share Value (TL)	Share %
TANK ÖWA ALPHA GMBH	167,542,321.00	46.12
TEPE İNŞAAT SANAYİ ANONİM ŞİRKETİ	18,375,413.50	5.06
OTHER	177,363,515.50	48.82
TOTAL	363,281,250.00	100.00

Division of tasks of the Board of Directors of TAV is as follows:

Board of Directors of TAV Havalimanları Holding	
Name	Title
EDWARD RODOLPHE PAUL ARKWRIGHT	Chairman of the Board Nomination Committee Member
FERNANDO ECHEGARAY DEL POZO	Vice-chairman Corporate Governance Committee Member
ALİ HAYDAR KURTDARCAN representing TEPE İNŞAAT SANAYİ ANONİM ŞİRKETİ	Vice-chairman Risk Assessment Committee Member
MUSTAFA SANİ ŞENER representing SERA YAPI ENDÜSTRİSİ VE TİC.A.Ş.	President & CEO
FRANCK MEREYDE	Board Member Corporate Governance Committee Member
PHILIPPE ERİC PASCAL	Board Member Nomination Committee Member Risk Assessment Committee Member
JEROME PAUL JACQUES CALVET	Board Member Risk Assessment Committee Member
AYLİN SELEN	Independent Board Member Nomination Committee Chairwoman Audit Committee Member Risk Assessment Committee Member
EBRU YONCA ÇAPA	Independent Board Member Corporate Governance Committee Chairwoman Nomination Committee Member
FİLİZ DEMİRÖZ	Independent Board Member Audit Committee Chairwoman Corporate Governance Committee Member
JEAN MICHEL VERNHES	Independent Board Member Risk Assessment Committee Chairman

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	Voting rights are facilitated
+	No voting privileges
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	Policy on donations and grants approved at the general shareholders' meeting and disclosed to the public
+	A specific and consistent dividend distribution policy established
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

TAV's Investor Relations Department submits a report to the Corporate Governance Committee, Board of Directors and the CEO on the work conducted under the "Investor Relations Directorate". The Department is managed by the Investor Relations Director, Nursel İlgen. The Department manager is the holder of Capital Market Activities

Advance Level and the Corporate Governance Rating Specialist licenses.

The Investor Relations Department plays an active role in protecting and facilitating shareholders' rights and in particular, the right to obtain and review information. The Department fulfills the following duties:

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

Requests for information are met, one-on-one meetings and teleconferences are held at the TAV Holding headquarters with foreign-domestic brokerage houses along with analysts and fund managers of portfolio management companies. Shareholders can request information either by directly contacting the Investor Relations Department employees or by sending an e-mail to the Department's

e-mail address or using the contact form on the web site. In addition to investors' queries, the Department also responds to information requests and surveys sent within the scope of research conducted by universities and various public institutions, as well as detailed information requests received from brokerage houses at the time of their periodic valuation reviews. The Investor Relations Department maintains proper records of both the written and oral queries received and responses given.

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

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders and no such demand was received within the reporting period.

All kinds of information about the Holding required by the legislation are provided in a complete, timely, honest, and diligent manner and there is no fine or warning received in this regard.

The Holding has constituted a disclosure policy and submitted it to the attention of general shareholders' meeting and disclosed it to public on its 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 Holding has adopted exactly the rate foreseen in the legislation for listed holdings.

There is no evidence of any conflict of interest between the majority shareholders and that of the Holding.

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 on March 26, 2018 is performed through all means of communication available to the Holding on February 27, 2018 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. A descriptive disclosure document on agenda items has been prepared.

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 along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Holding, 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 TAV

Holding's shareholding structure as of the date of disclosure, that there are no privileged share groups within the Holding capital.

- b. Information on changes in management and activities of the Holding and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the Holding operations.
- c. Grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Holding and its related parties, whether they are independent or not, 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.

The 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 representatives of the external audit firm were present to give necessary information and to answer questions at the general shareholders' meeting.

The Holding has established a policy on donations and grants and

submitted it to the general shareholders' meeting for approval. Shareholders are informed, with a separate agenda item, of amount and beneficiaries on all donations and grants effectuated within the reporting period.

Stakeholders and media are allowed to attend the general shareholders' meetings with no voting rights as mentioned in internal guidelines of the meeting and subject to the consent of the chairman of the meeting, but no such clause is included in the articles of association.

1.5. Voting Rights:

There are no voting privileges at TAV and all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

1.6. Dividend Rights:

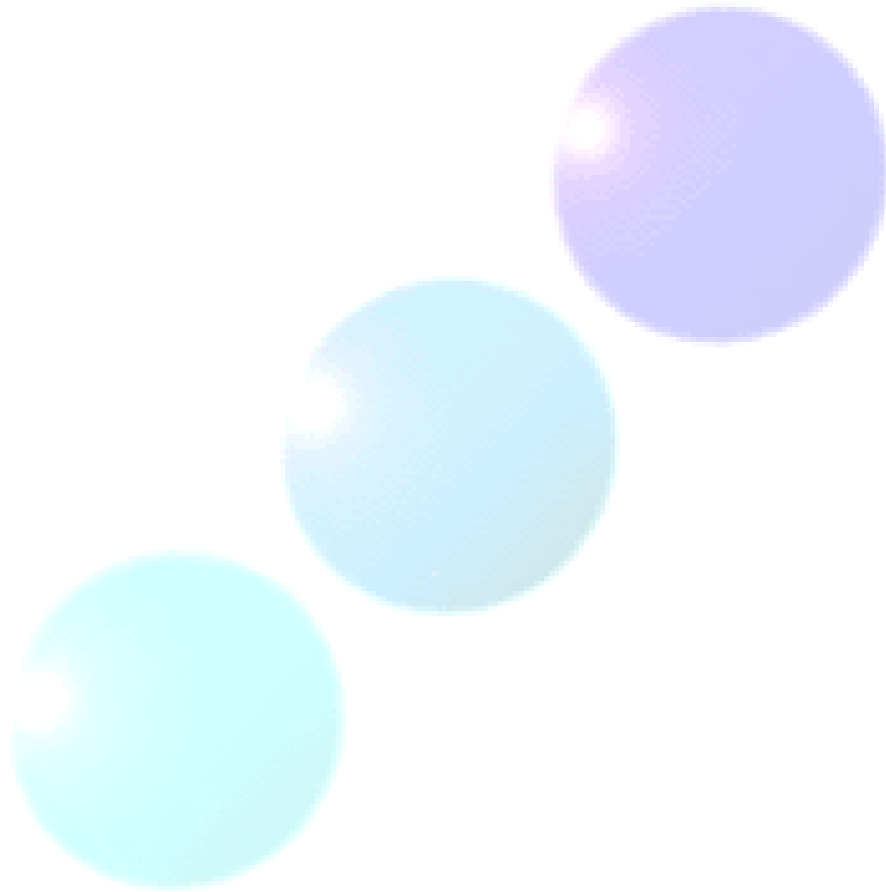
The dividend distribution policy of TAV is clearly defined and disclosed to public on the corporate web site. It is submitted to the approval of the shareholders at the general shareholders' meeting and is incorporated in the annual report.

TAV Holding'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 Holding. The dividend distribution proposal contained all necessary information.

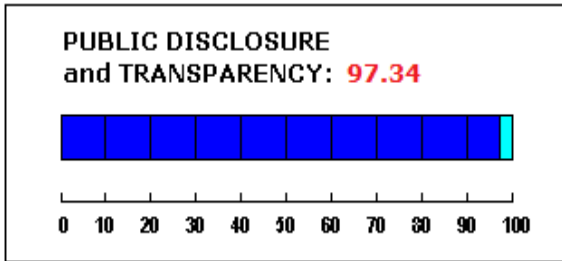
The articles of association contain a provision on advance dividend payments.

1.7. Transfer of Shares:

Neither the articles of association nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares.



SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive Disclosure Policy, disclosed to public on the web site
+	Comprehensive web site, actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	Ultimate controlling shareholders with a share higher than 5% are disclosed
+	English version of the web site for international investors
+	Remuneration policy established and disclosed to public on the web site
+	Dividend distribution policy disclosed to public via the web site
=	Benefits provided to board members and senior executives are mentioned collectively in the annual report

2.1. Corporate Web Site:

TAV Holding'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 corporate web site includes; trade register information,

information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Holding's articles of association, publicly disclosed material information, periodical financial statements, annual reports, 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, ethical rules of the Holding, frequently asked questions, and responses thereof.

In this context, information on at least the last 5 years can be reached on the web site.

The Holding's shareholding structure; the names, amount and rate of the shares held by the Holding's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public through the corporate web site.

The information contained on the web site exists also in English for the benefit of international investors and is identical to the Turkish content.

TAV Holding's web site also includes; investor presentations, the donation policy, working principles of the Committees, important board decisions under the heading of material disclosures, the vision/mission of the Holding established by the board, information on dividend payments and capital

increases for the last 5 years, share buyback scheme, news, general shareholders' meeting internal guidelines, social responsibility activities, the sustainability report, information on senior management, financial data, main ratio analyses, corporate web site disclaimer, terms of use and privacy policy, timetable on events and developments which may interest 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 Holding and it covers information such as;

- a. Period covered by the report, the title of the entity, trade register number, contact information,
- b. The names of the chairman and members served on the board and the Committees during the covered period,
- c. The sectors in which the Holding operates and information on its position in these sectors,
- d. Qualifications of the Holding's units, general explanations related to their activities and performances, and yearly developments,
- e. Progress on investments, the eligibility status on incentives,
- f. Changes and justifications on the articles of association during the period,
- g. Corporate Governance Principles Compliance Report,
- h. Information on related party transactions,
- i. Other issues not included in the financial statements, but are beneficial for users,
- j. Holding's capital and ownership structure,
- k. Benefits provided to staff and workers, information on number of personnel,

- l. Explanations on privileged shares,
- m. The dividend distribution policy,
- n. Basic ratios on the financial position, profitability and solvency,
- o. Holding's financing resources and risk management policies,
- p. 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 content specified in the legislation, the following also took place in the annual report:

- a. External duties of board members and executives,
- b. Declaration of independence of the related board members,
- c. Members of the Committees within the board, meeting frequency and working principles of the Committees,
- d. The number of board meetings held during the year and participation status of the members,
- e. Changes in legislation which could significantly affect the Holding's operations,
- f. Major court cases against the Holding and possible consequences,
- g. Information on the fact that there is no cross shareholding in excess of 5% of the capital,
- h. Benefits and vocational training of employees, and other Holding activities that give rise to social and environmental results,
- i. Rating results,
- j. Application status of the corporate governance principles as required by the CMB communiqué, explanations on reasons behind any non-compliance.

On the other hand, 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. Furthermore, inclusion of the organizational chart in the annual report is an area to be improved.

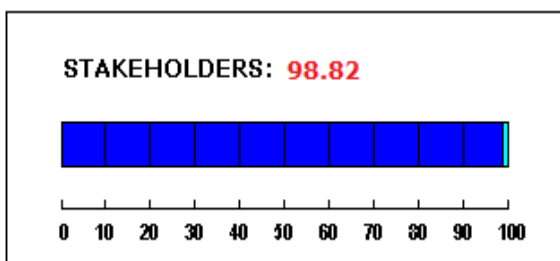
2.3. External Audit:

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

There has not been a situation during the reporting period 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 by the Holding officials that there has been no legal conflict between the Holding and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for 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.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources policy
+	Stakeholders' views are taken on important decisions
+	Code of ethics disclosed to public
+	Holding is socially and environmentally sensitive and respectful
+	A written employee compensation policy is established and disclosed to the public on the web site
+	Social responsibility projects implemented
+	There are written supportive regulations regarding the participation of stakeholders in the management of the Holding
-	There is no trade union at the Holding

3.1. Holding Policy Regarding Stakeholders:

TAV 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 Holding protects the interest of stakeholders under good faith principles and within the capabilities of the Holding. Effective and expeditious

compensation is provided in case of violation of the rights.

The corporate web site of the Holding is also actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance implementation of the Holding ensures that its stakeholders, including its employees and representatives, report their concerns regarding any illegal or unethical transactions to the management.

Employees can convey any transaction that contradicts with the legislation and is ethically inappropriate to the Committee Responsible of Audit and to the Audit Unit. Stakeholders have the opportunity to directly contact via e-mail with members of the Corporate Governance Committee or the Audit Committee as well as individuals authorized to disseminate information as prescribed by the Holding Disclosure Policy with regard to the Holding's conduct or transactions in breach of applicable law and regulations or ethical norms.

In addition, a documented compensation policy is established and disclosed to the public on the corporate web site.

3.2. Stakeholders' Participation in the Holding Management:

Although there is no formal model established for direct participation of stakeholders other than employees in management, keeping all lines of communication open and eliminating all possible encumbrances are fundamental principles embraced to

allow participation of the Holding employees in management.

The Holding maintains constant communication with employees, pays due regard to their needs, and creates various platforms and mechanisms by which employees can convey their opinions and comments.

Internal meetings are held, which are attended by the Holding employees when necessary. These meetings play a significant role in the decision-making process of senior management. Increasing the efficiency of the activities is aimed through the Joint Decision-Making Body established together with the Holding, Turkish Airlines and the General Directorate of State Airports Authority.

In addition, the said model is documented in the internal regulations as guidelines on supporting the participation of stakeholders in the Holding management.

3.3. Holding Policy on Human Resources:

The Holding has a documented human resources policy.

Recruitment and career planning are conducted on the basis of equality and transparency is ensured. The criteria for hiring employees are documented in writing and the Holding complies with these criteria. All employees are treated with fairness and equality in terms of the benefits provided to them; provided training programs to enhance employee knowledge, skills and conduct; and training policies are formulated.

Informative meetings are organized for employees about the Holding's financial position as well as compensation, career, training and health related issues where opinions are exchanged.

Recruitment activities are carried out within the scope of Recruitment Charter. Competencies required for each position are determined within the scope of the project conducted together with a human resources consulting firm and have been in effect since then in all recruitment activities. Job descriptions are defined for all positions and their revisions are realized at regular intervals.

Job descriptions and assignments, along with performance and rewarding criteria are announced to the Holding employees. Productivity is a major criterion in determining the salary and additional benefits provided to the employees.

Coordination meetings are organized on a regular basis with the participation of senior management to share information on issues such as financial position of the Holding, remuneration, career, training and health. Following these meetings, senior managers inform their respective Groups on related issues on a regular basis.

TAV's human resources policy is based on job security, comprehensive facilities for employees' professional and personal development and equal opportunity. Measures are taken to ensure that employees are not discriminated on the basis of race, religion, language or gender, and they are protected against any internal physical, mental and emotional maltreatment.

Since the employees of the Holding's affiliates are generally not unionized, the matter of resorting to the opinion of the trade unions on decisions about the employees and collective bargaining agreements stipulated in the human resources policy is not applicable.

However, the constitutional provisions regarding the right of association stipulated in the Constitution of the Republic of Turkey remain; in addition, as a member of the International Labor Organization (ILO), pursuant to the Freedom of Association and Protection of the Right to Organize Convention (convention 87) and Right to Organize and Collective Bargaining Convention (convention 98), the Holding shall abide by its related commitments regarding associations that may transpire in the future.

3.4. Relations with Customers and Suppliers:

TAV has taken all necessary precautions to attain customer satisfaction in the sales and marketing of its products and services.

Correct and complete information is provided to customers in marketing and sale of the Holding services. Care is taken for all related documents, printed and visual materials to reflect all features of the product to achieve customer satisfaction. Appointment of competent and relevant staff is secured to provide contact with customers for all matters pre-sales, during sales and after sales.

The Holding complies with quality standards of products and services and strives to maintain these standards. To this end, the Holding provides a certain level of quality guarantee.

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

3.5. Ethical Rules & Social Responsibility:

The ethical rules of TAV are publicly disclosed on the corporate web site.

The Holding expends maximum effort to be sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethical rules, and directs and supports its subsidiaries to behave in the same manner.

Due to the nature of their operations, TAV Holding and its subsidiaries are not legally required, within the scope of Environment Law and its related regulations, to produce environmental impact assessment reports. Nevertheless, the Company's related subsidiaries have prepared environmental reports and environmental management plans during both the construction and operation phases of terminals and they comply with updated environmental management plans.

TAV has realized the project "Secure Tomorrows with Tiny Hands" which aims to raise awareness about proper nutrition, disaster management and protection of the environment in children. The project covered 5 cities in Turkey where TAV is the airport operator (Istanbul, Ankara, Izmir, Bodrum and Alanya-Gazipaşa), reaching to 1858 students in 12 elementary schools. TAV employees worked as trainer on their own expertise in the project realized with the support of District Governorships, District National Education Directorates, school administrations and parents. Within the scope of the project, TAV employees shared the report prepared by the school administrations about the risk of disaster in the schools near the airport and the risky areas in terms of physical security of children in daily life. Teachers and students were then trained to raise awareness on this issue. Finally, emergency drills were held in schools.

TAV is sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethical rules, and directs and supports its subsidiaries to behave in the same manner. The Holding's terminal operating subsidiaries conduct their operations in compliance with environmental regulations and the 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.

A complete list of these activities and details can be accessed from the Holding's corporate web site.

TAV complies with the laws and environmental values in all its activities. No lawsuits were filed against the Holding on account of any harm done to the environment during the reporting period.

3.6. Sustainability:

By reporting on its sustainability performance, the Holding aims to assess, monitor, measure and manage its potential impacts on its stakeholders as well as on the environment in the course of conducting its daily operations. In this context, as a result of the evaluation of independent rating agencies, TAV is included in the BIST Sustainability Index in the period of 2017-18.

Constructed and operated by TAV, Izmir Adnan Menderes Domestic Terminal was cited as an exemplary project at a report issued by the US Green Buildings Council (USGBC). Adnan Menderes Airport Domestic Terminal holds the distinction of being the first terminal in Turkey to be issued Leadership in Energy and

Environmental Design (LEED) certification by the USGBC.

TAV Holding, which figures among the signatories of the United Nations Global Compact (UNGC) and the Women's Empowerment Principles (WEPs), strives to mitigate its environmental impacts and create social benefits while generating maximum value for its stakeholders in every country where it operates. The Holding is committed to disclosing its sustainability performance openly, transparently and comprehensively to all stakeholders. As part of this effort, TAV has reported not only its economic performance but also the Holding's environmental and social impact in compliance with internationally accepted standards since 2010. The Holding employs the internationally recognized Global Reporting Initiative (GRI) standards in order to present its reporting initiatives in a comparative and understandable manner. The principles required to achieve sustainable growth are at the core of all Holding operations. A bottom-up and interdisciplinary organizational structure has been put in place to disseminate existing know-how within the Holding and to conduct measurement, reporting and development efforts in a coordinated manner. TAV actively participates in the in the Airport Carbon Accreditation (ACA) program launched by Airports Council International Europe (ACI Europe). The ACA Program was implemented in 2009 to measure, assess and mitigate carbon emissions at airports. TAV Ankara Esenboğa Airport is the first airport in Turkey to zero in carbon emissions. The second airport that achieved the same success was TAV Izmir Adnan Menderes Airport, which uses energy efficiently to bring carbon emissions to the optimum level and neutralizes the remainder. Both airports are among the 20 most environmentally friendly airports in Europe.

SECTION 4: BOARD OF DIRECTORS

BOARD OF DIRECTORS: **94.69**



0 10 20 30 40 50 60 70 80 90 100

SYNOPSIS

+	The Holding's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Four independent members on the board
+	Audit, Corporate Governance, Risk Assessment and Nomination Committees are established and functional
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
+	Chairman of the board and general manager is not the same person
+	The conduct of the board of directors' meetings is defined in internal regulations and meeting and decision quorums have been included in the articles of association
+	Any potential losses incurred by the Holding and third parties as a result of potential misconduct by executives are insured
+	Three female board members
=	Remuneration and benefits provided to board members and to managers with administrative responsibility is not disclosed on individual basis

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage TAV Holding'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 Holding. The board administers and represents the Holding within these parameters.

The board of directors has defined the Holding's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that Holding activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

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 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 and this separation is documented in the articles of association. There is no individual in the Holding who has unlimited authority to take decisions on his/her own.

The board of directors plays a leading role in maintaining effective communication between the Holding and the shareholders and settling any disputes which may arise and works in close coordination with the Corporate Governance Committee and the "Investor Relations" department.

Defects and damages that may be caused by the board members during the execution of their duties have been insured and this matter is disclosed on the Public Disclosure Platform (PDP).

4.3. Structure of the Board of Directors:

TAV Holding's board of directors is composed of eleven members and only one of them is executive. There are four independent members who have the ability to execute their duties without being influenced under any circumstances.

No upper limit for the number of independent board members is mentioned in the articles of association. Tenure of office for independent members is designated as three years.

The Nomination Committee have prepared a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria, and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors

have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

Female candidates are prioritized when selecting board of directors' members from among candidates that possess equal knowledge, experience and competency. In line with the policy established to ensure that at least 25 percent of the members of the board of directors of the Holding consist of female members, the number of female members which was one in 2017, increased to three following the election of the new independent board members at the ordinary general shareholders' meeting held in March 2018, reaching to the end-2022 target.

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

Board meetings take place with sufficient frequency. The board of directors convened six times last year. Members allocate sufficient time for all of the Holding's business and show care to participate in every meeting.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the general manager. Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date.

Each board member is entitled to a single vote.

The conduct of the board of directors' meetings is documented in internal regulations and meeting and decision quorums have been included in the articles of association of the Holding.

There are no certain rules or limitations for board members taking on additional duties as executives

and/or board members outside the Holding. The Holding has declared that this does not lead to any conflict of interest.

Shareholders are informed of external duties of the board members through the annual report and the Corporate Governance Compliance Report.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Nomination, Audit, and Risk Assessment Committees are established from within the board of directors in order to fulfill its duties and responsibilities duly.

Functions of the Committees, their working principles, and members are designated by the board of directors and disclosed to public on the corporate web site.

All members of the Audit Committee are elected among the independent board members. Also, the chairmen of the Corporate Governance, Nomination and Risk Assessment Committees are elected among the independent board members. The Corporate Governance and Risk Assessment Committees each have five members, the Nomination Committee has four and the Audit Committee houses two members. The General Manager (CEO) is not on the Committees. Except for the "Investor Relations" department manager who serve on the Corporate Governance Committee as per corporate governance principles, there are no other executive members on the 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.

The frequency of Committee meetings is sufficient, all activities are documented and records are kept. Reports containing information about the activities and the resolutions of the meetings are submitted to the board of directors.

Audit Committee supervises the operation and efficiency of the Holding's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Holding regarding Holding accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them.

It also 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 Holding and the external auditor.

The Audit Committee notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Holding's accounting principles, true and accurate.

The Committee has convened four times during the reporting period. Audit Committee members possess the qualifications listed in the Corporate Governance Principles communiqué.

The annual report contains information on activities and meeting resolutions of the Audit Committee and that it has submitted four written reports to the board of directors within the reporting period.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the board and ends with the board's choice being

presented and approved at the general shareholders' meeting.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Holding, 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" department.

The proposals for independent board membership candidacy are evaluated by the Nomination Committee taking into consideration whether the candidates possess the criteria for independence under the applicable legislation and these assessments are documented. It is responsible to identify and assess the qualified candidates for board of directors and executive management positions and to formulate policies and strategies related to this subject. The Nomination Committee also conducts regular assessments on the structure and efficiency of the board of directors and reporting its recommendations on the changes that can be made in these areas.

Since a Remuneration Committee is not established, its duties are carried out by the Corporate Governance Committee. The Corporate Governance Committee has discussed the remuneration package of the board members and documented its recommendation. A remuneration policy determining the basis and fundamentals for remuneration of board members and executives with administrative responsibility is established and disclosed to public on the corporate web site.

Revising, changing and re-evaluation of principles, criteria and applications on remuneration, and submission of the views to the board in the upcoming reporting periods and when necessary, will be closely monitored by us.

The Risk Assessment Committee carries out its tasks towards early detection of risks which may jeopardize the Holding's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems every two months and finalizes relevant reports.

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

The board of directors explained in the annual report whether the operational and financial targets disclosed to the public are met or not, along with reasons behind possible shortcomings. The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting. A remuneration policy prepared for this purpose can be found on the Holding's web site.

Stock options or performance based payments are not included in the remuneration package of the independent board members. Their remuneration is designated at a level to maintain their independence

TAV Holding 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.

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 have been no cases where the executives used confidential and non-public Holding information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Holding's affairs, and provided unfair advantage.

Losses that may be incurred by the Holding as a result of not performing the board members' and executives' duties duly are insured for USD 30 million, a sum in excess of 25% of the Holding capital.

Remuneration of executives is consistent with the Holding's ethical values, inner balance, and strategic objectives, and it is not associated only with the Holding's short-term performance.

Remuneration of board members and managers with administrative responsibility as well as benefits provided are mentioned collectively in the annual report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.

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.

DISCLAIMER

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This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of the company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

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