



Corporate Governance Compliance Rating Report



Garanti Emeklilik ve Hayat A.Ş.

27th December 2019

Validity Period 27.12.2019-27.12.2020

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Garanti Emeklilik ve Hayat Anonim Şirketi, is compiled in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, dated January 3rd 2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105 and Undersecretariat of Treasury's Communiqué on Corporate Governance Principles for Insurance, Reassurance and Private Pension companies dated 27.04.2011 and numbered number 2011/8.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group, Third Group companies, investment partnerships and unlisted companies, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 69 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public, Independent Audit Report dated 30.01.2019, which is prepared by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and examinations and interviews made by our rating experts on site.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website (www.kobirate.com.tr).

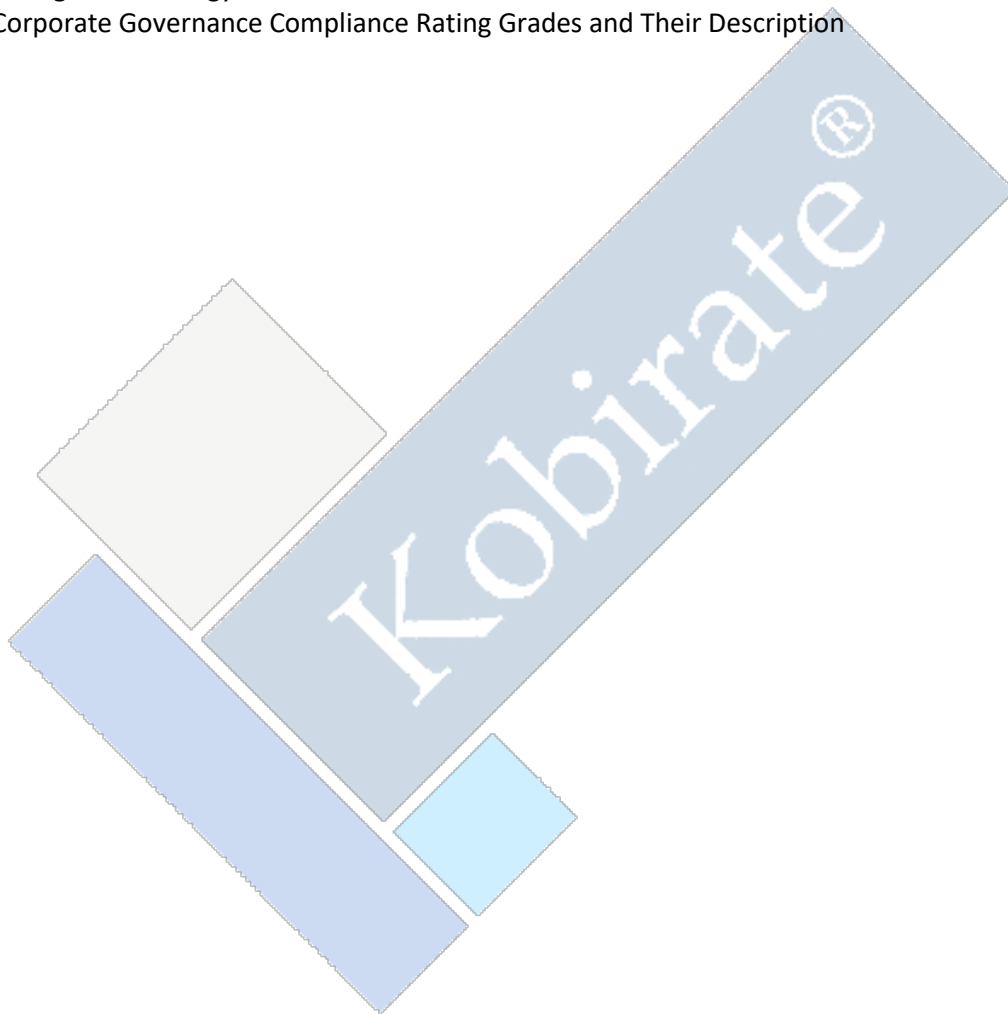
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose any kind of borrowing instrument. KOBIRATE A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

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**GARANTİ EMEKLİLİK VE HAYAT
ANONİM ŞİRKETİ**

UNQUOTED COMPANY

**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

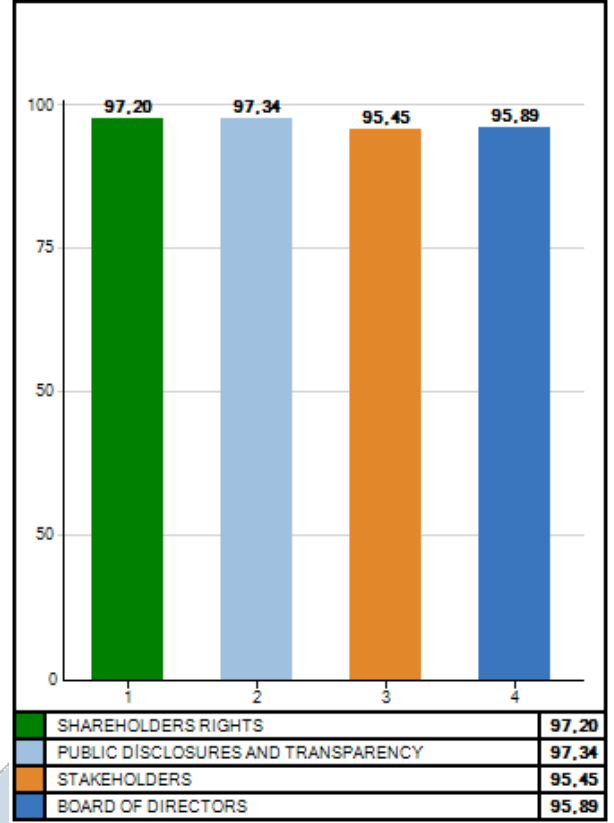
9.65

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1. SEVENTH PERIOD REVISED RATING RESULTS

The process of rating of compliance of **GARANTİ EMEKLİLİK VE HAYAT A.Ş.** with the Corporate Governance Principles is concluded through onsite examinations of the documents, interviews held with executives and persons involved, information open to public and by other detailed examinations.

The rating is based on the Corporate Governance Compliance Rating Methodology for Unquoted Companies developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş.

Methodology and the rating process have been prepared by taking into account CMB's Corporate Governance Communiqué No II-17.1, which was published on the Official Gazette dated 03.01.2014, numbered 28871, Treasury's Notification on Corporate Governance Principles in Insurance and Assurance companies and Pension Funds, published on 27.04.2011, numbered 2011 / 8.

The Company has been rated through 350 criteria described by the methodology of Kobirate A.Ş., developed for "Unquoted Companies".

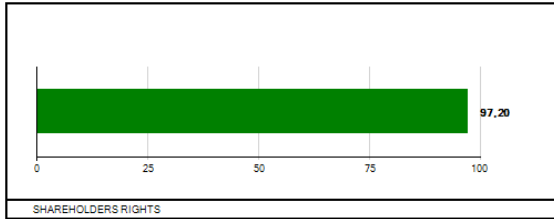
The rating has been conducted under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors and the Corporate Governance Compliance Rating Grade of **Garanti Emeklilik ve Hayat A.Ş.** for the period between 27.12.2019 and 27.12.2020 has been revised as **9.65** olarak.

This result signifies that the Company has achieved considerable compliance with CMB's Corporate Governance Principles. Possible risks for the company have been determined and are under control. Public disclosure activities and transparency are at a high level. Rights of shareholders and stakeholders are treated fairly. The structure and mode of operation of Board of Directors are in

compliance with corporate governance principles.

In view of rating process under main headings in brief;

SHAREHOLDERS



As described by Corporate Governance Principles of CMB, this section has been assessed for 93 different criteria under the headings of Facilitating Exercise of Shareholders Rights, Shareholders' Right to Obtain Information and to Examine, General Assembly, Voting Right, Minority Rights, Dividend Right and Transfer of Shares.

Company's grade in this section has been confirmed as **97.20**. The company has continued very good level of compliance with the CMB Corporate Governance Principles in this section.

Necessary information is provided for shareholders and corporate website (www.garantiemeklilik.com.tr) is used efficiently in order to ensure healthy exercise of shareholder rights.

Relations with Shareholders are conducted by of Legal and Shareholder Relations Department, which reports Assistant General Manager. This Department handles the subjects of structuring Company's transactions and products in compliance with laws, monitoring changes in regulations and judicial practices, relations with officials and shareholders, monitoring Board of Directors and General Assembly Processes.

There are no policies that make it difficult for shareholders to request appointment of Private auditor from the general assembly.

The Company has not been privately audited in this period.

General Assembly meeting for activities of 2018 was held on 29.03.2019, at the head office, in accordance with the Articles of Association with 100% participation of shareholders. During the rating period there has been no General Assembly decision that was not implemented.

After examination of General assembly meeting minutes, it was seen that agenda items have been voted separately, votes have been counted and result disclosed to shareholders before the meeting ended.

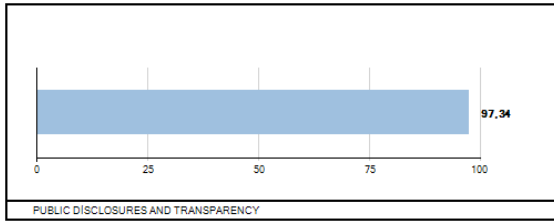
There are no regulations in Articles of Association or inner arrangements that make the use of voting rights difficult. Shareholders are provided with opportunity to use their voting right easily and properly.

There has not been any violation of exercise on minority shareholders' rights as attendance to the general assembly, representation by proxy, imposition of no upper limit for voting rights.

There are no regulations in the Articles of Association that restrict transfer of shares. There are no policies making it difficult to transfer shares freely.

There are no provisions in the Articles of Association about in advance payment of dividend. There is no regulation in the Articles of Association about general assembly meetings' being open to public including stakeholders and media, without right to address the meeting. These two issues are areas in need of improvement in this section.

PUBLIC DISCLOSURE AND TRANSPARENCY



As described by Corporate Governance Principles of CMB, this section has been assessed for 74 different criteria under the headings of Corporate Website and Annual Report. **Company's** grade in this section has been confirmed as **97.34**. The company has continued very good level of compliance with the CMB Corporate Governance Principles in this section.

It has been seen that Company's corporate website www.garantiemeklilik.com.tr and annual reports are used effectively as means for public disclosure in accordance with the criteria described by the principles.

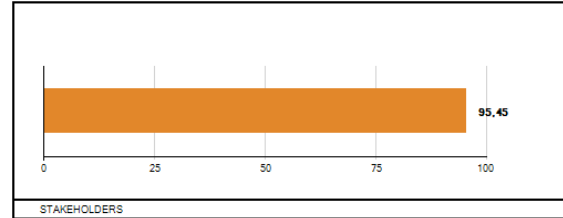
It is possible to access current information required by the principles, as well as complete access to additional information required by Article 13 of Information on Insurance Contracts Regulation, which was published by the official gazette dated 28.10.2007, numbered 26684, at the corporate website. This has been deemed positive.

Information in the corporate website is simultaneously published in English for the use of international investors.

2018 independent audit has been conducted by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. There were no situations in the report – dated 30.01.2019 - that the auditor avoided expressing opinion, expressed conditional opinion or withheld signature. Company officials have told us that no developments took place between the Company and independent audit company and its auditors that might damage independence and that there has been no legal conflict.

The benefits provided for Board Members and top managers are not described on individual basis in Annual Reports. This is an area that needs improvement in this section.

STAKEHOLDERS



As described by Corporate Governance Principles of CMB, this section has been assessed for 57 different criteria under the headings of Company's Policy on Stakeholders, Supporting Participation of Stakeholders in Company Management, Human Resources Policy, Relations with Customers and Suppliers, Ethical Rules and Social Responsibility. Company's grade in this section has been revised as **95.45**.

The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, public, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations.

Stakeholders are adequately informed on Company policies and procedures to protect their rights. Bank's Corporate Website is also used for this end.

There is no direct participation of stakeholders into management. However it has been learned that face to face meetings are organized with stakeholders to get their opinions in subjects that concern them.

It has also been learned that Employee Polls are conducted to have their opinions and action plans are made in line with poll results.

Procedures on working conditions, register files, disciplinary practices, power and

responsibilities of employees, remuneration, health rights, leave rights, promotion, task alteration and dismissal, death, resignation, retirement and training have been developed and Company has the tradition of sticking to these policies in practice.

It is our impression that the Company sticks to the principle of providing equal opportunities to people under equal circumstances in preparation and implementation of policies and procedures. Criteria for performance and awarding are prepared. It has been determined that the company implements training programs to increase knowledge, capability and experience of the employees and prepares training policies. updates previously prepared education programs in accordance with current conditions.

Company's Ethics and Integrity Principles cover Garanti Bank's subsidiaries and affiliated companies. Company's Ethics and Integrity Principles, which have been put into operation in 2015, have been prepared with an exemplary integrated approach.

Garanti Emeklilik ve Hayat A.Ş. has determined and put into implementation its basic principles for corporate social responsibility activities. These Principles are; "Develop and implement projects that contribute to the society and aim to improve the life quality of individuals. Realize and support projects on especially children's health and education. As it is one of the most fundamental social problems in Turkey; carry out activities to help stop children working on the streets or any working environments, continue their educations and raise public awareness on the subject. Ensure active participation of employees and stakeholders in the project recommendation, development and application stages of all social responsibility activities.

Form close collaboration with non-governmental organizations like Ayhan Şahenk Foundation and Community Volunteers Foundation, in addition to its stand-alone projects. Focus on the issue of 'hobbies',

which is very important in making people happy with higher quality lives in both their present and retirement days; encourage people to get hobbies and therefore, raise awareness for hobbies."

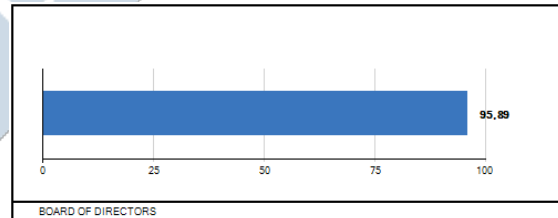
Company's Social Responsibility projects are conducted on a continuous base.

Garanti Emeklilik voluntarily signed and committed itself to United Nations Global Compact (UNGC) Agreement, which is an international corporate responsibility approach that requires commitment to and internalization of 10 universal principles on all aspects of sustainability by companies in their business cycles and strategies.

The Company has determined its Principles for sustainability activities and policies and disclosed them to public.

The Company has achieved significant compliance with Corporate Governance Principles in this section.

BOARD OF DIRECTORS



As described by Corporate Governance Principles of CMB, this section has been assessed for 126 different criteria under the headings of Function of the Board, Principles of Activity of the Board, Structure of the Board, Procedure of Board Meetings, Committees formed within the Structure of the Board and Financial Rights Provided for the Members of the Board and Executives. **Company's** grade in this section has been revised as **95.89**. In this section the company has achieved compliance with the CMB Corporate Governance Principles to a great extent.

The Board of Directors has described corporate strategic objectives and disclosed them to public. The positions of Chairman of the Board and General Manager are held by separate individuals. The Board comprises 9 (nine) persons. There are 1 (one) executive and 8 (eight) non – executive members.

The Board of Directors comprises all non – executive members, except the General Manager, there are two women members in the Board and all committees that the Board is required to establish by corporate governance principles are active and reporting. These have all been deemed positive. The Board has established inner control systems including risk management and information systems and processes that will minimize the impacts of risks, which may affect Company’s stakeholders, starting with shareholders. It has been learned that the Board is in the process of reviewing the efficiency of internal control systems.

It has been seen that the Board of Directors convenes in an appropriate frequency and the meetings take place in accordance with relevant laws and regulations, as well as the Articles of Association. Attendance figures and numbers of decisions are published in the annual report.

Nobody in the company has unlimited authority to make decisions alone. The positions of Chairman of the Board and General Manager are held by separate individuals.

Manager Liability Insurance against defects of Board Members and top level managers in the course of carrying out their duties has been made by MAPFRE for the period between 01.01.2019 and 31.12.2019, meeting conditions of relevant Communiqué. The insurance is renewed every year. poliçesi düzenlenmiştir.

According to a document given by Company’s Legal Department on 14.11.2019, there are no law suits against members of Board because of Company transactions.

It has been observed that the Audit, Corporate Governance, Early Risk Detection and Remuneration committees, specified by the Principles, have been established and their working principles prepared as written documents.

It has been learned that the Company did not give any debts or credits to a Board member or an executive or did not let them to use personal credit through a third party or did not provide any guarantees on their behalf.

Separating Powers of Board Chairman and CEO / General Manager neatly and to express this separation in Articles of Association in writing and increasing efficiency of Board committees are seen as areas in need of improvement in this section.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

a. Company Profile



Company Name	: Garanti Emeklilik ve Hayat A.Ş.
Company Address	: Mete Cad. No: 30 34437 Taksim İSTANBUL
Company Phone	: (0212) 334 70 00
Company Facsimile	: (0212) 334 63 00
E-Mail	: GEMusteriHizmetleri@garantiemeklilik.com.tr
Company Website	: www.garantiemeklilik.com.tr
Date of Incorporation	: 1992
Registered Number	: 288647
Paid in Capital	: 50.000.000.-TL
Line of Business	: Preparing contracts for private pension and life insurance, operating in related areas.
Company's Sector	: Insurance and Private Pension
Supervisory Authority	: Capital Market Board (CMB), Insurance Supervision Board (ISB)

Company's Representative in Charge of Rating:

Ahmet KARAMAN

Assistant General Manager

AhmetKaram@garantiemeklilik.com.tr

(0212) 334 70 00

Short History of the Company

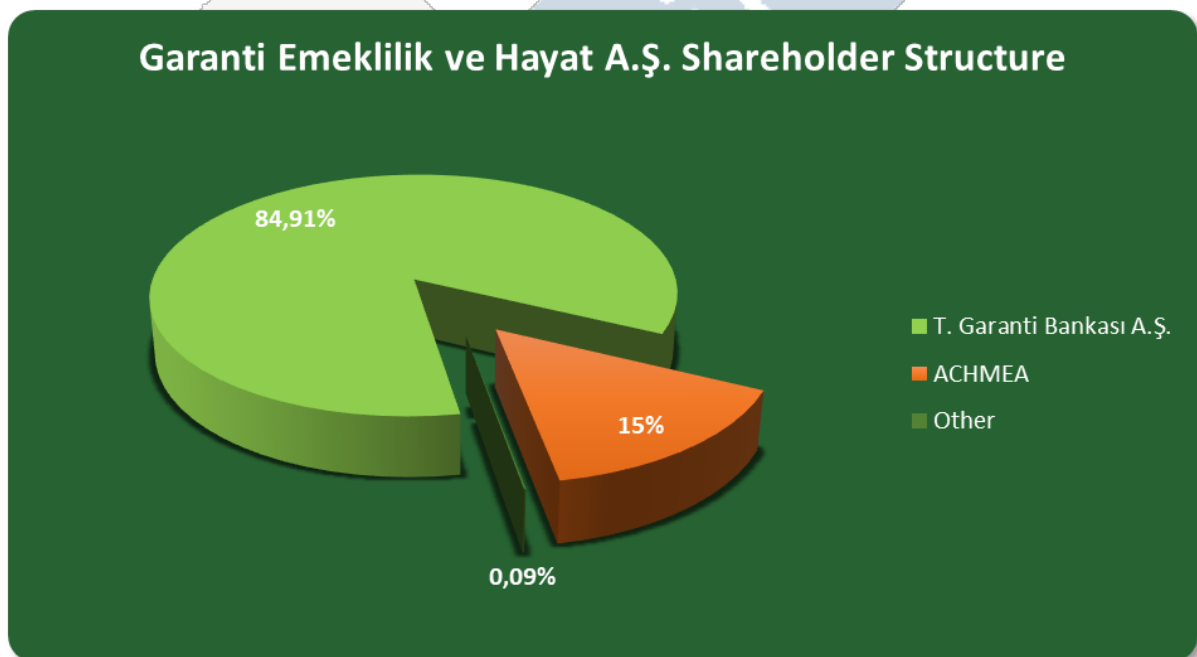
The company was established as “AGF Garanti Hayat Sigorta Anonim Şirketi” in July 24th 1992, with an initial capital of TL 10.000. In May 18, 1999, Company’s title was changed as “Garanti Hayat Sigorta Anonim Şirketi”.

The application of the company, dated 14.11.2002, to transform itself from a life insurance company into a retirement company, in accordance with the 2nd item of temporary article 1 of Law number 4632 on Private Pension Saving and Investment System, printed on Official Gazette dated 07.04.2001 and numbered 4366, was accepted with the approval of Undersecretary of Treasury on 18.12.2002. Consequently, company’s title was first changed as “Garanti Emeklilik Anonim Şirketi” as it was called in Turkish Trade Registry Gazette, dated 15.01.2003 and then as “**Garanti Emeklilik ve Hayat Anonim Şirketi**”, as it was called in Turkish Trade Registry Gazette, dated 25.03.2014.

Commercial aim of the company is to prepare contracts for private pension and life insurance and to operate in related areas. In accordance with its Articles of Association, the Company has been active personal accident branch since July 1st, 2006.

Thanks to the synergy created through collaboration with its main shareholder Garanti Bank, the company became one of the pioneers in the sector in a very short span of time. It provides services through 13 regional directorate, 726 employees and about 911 Garanti Bank branches as of 21.11.2019.

Shareholder Structure (As of report date)



Source: www.garantiemeklilik.com.tr

Shareholder Name	Share(TL)	Share (%)
T. Garanti Bankası A.Ş.	42,456,629.00	84.913
ACHMEA	7,500,000.00	15.000
Other (Eureko Sigorta AŞ.)	43,371.00	0.086
Total	50,000,000	100.00

MAIN SHAREHOLDERS OF THE COMPANY

GARANTİ BANKASI A.Ş

Founded in 1946 in Ankara, Garanti Bank is Turkey's second biggest private bank as of September 30, 2019 with its consolidated asset size of over TRY 411 billion.

Garanti Bank is active in all segments of banking including corporate, commercial, SME, payment systems, private, individual and investment banking. It is an integrated financial services group with its international subsidiaries in Netherlands and Romania, alongside with its subsidiaries in life insurance and private pensions, financial leasing, factoring, investment and portfolio management.

As of September 30, 2019, Garanti Bank had 911 branches in Turkey, 8 branches (7 in Cyprus and 1 in Malta) and two offices abroad (Dusseldorf and Shanghai). The Bank also has a multichannel distribution network, comprising 5,234 ATM's, mobile, internet and social banking platforms and a call center. With 18,617 employees, Garanti provides services for over 17 million customers.

Main shareholder of Garanti Bank is Banco Bilbao Vizcaya Argentaria S.A. (BBVA), with 49.85 % of shares. Garanti Bank's Shares are listed in Turkey; its depository certificates in Britain and USA. Its free float rate in BIST is 50.07 % as of 30.09.2019.

Source: www.garanti.com.tr

ACHMEA

With an experience of 200 years, Achmea is a leading international insurance group. One of world's largest insurance companies, Netherlands based Achmea provides financially accessible and comprehensible products and services for its customers with over 18,000 employees in 7 countries.

Achmea is active in all areas and distribution channels of insurance business. It is preferred by every one person out of two in its domestic market, Netherlands. Achmea is the second biggest insurance company in Greece and has strong market positions in Turkey, Slovakia, Ireland and Romania. Company's gross signed premium production is EUR 20 billion and its total equity reaches EUR 9.7 billion. Active in non-life insurance, Eureka Sigorta is Achmea's member in Turkey. Thanks to its strong collaboration with Garanti BBVA, Eureka Sigorta is the leader of bank insurance in Turkey. It has a rich portfolio of services in insurance and financial services including pension, health, asset management and banking insurance products.

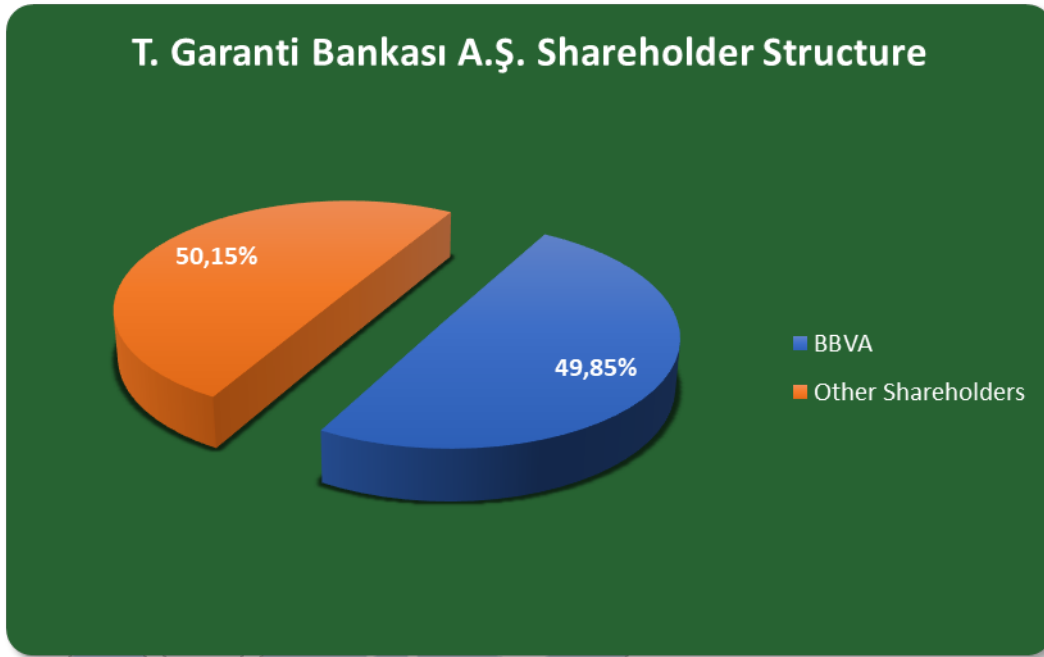
Achmea signed a partnership agreement with Turkey - based Garanti Bank in March 2007 named Eureka B.V. With this agreement, Achmea has purchased 80% of Garanti Sigorta's non-life insurance activities and 15% of Garanti Emeklilik's life and pension insurance business. Transfer of shares have started in 2007 with the signing of deal and completed in May 2011. As it is envisioned in the first agreement, Achmea has purchased 20% of Eureka Sigorta from Garanti Bank and became Owner of all Eureka Sigorta shares.

Source: www.garantiemeklilik.com.tr

Shareholder Structure of Garanti Bankası A.Ş. (Main Shareholder)

Shareholder Name	Share	Share (%)
BBVA (BANCO BILBAO VIZCAYA ARGENTARIA, S.A.)	2.093.700.000.00	49,85
OTHER SHAREHOLDERS	2.106.300.000.00	50,15
GENERAL TOTAL	4.200.000.000,00	100

Source: www.garanti.com.tr



Source: www.garanti.com.tr

Board of Directors

Name/ Surname	Title	Executive/ Non - Executive
Recep BAŞTUĞ	Chairman of Board of Directors	Non - Executive
Didem BAŞER	Deputy Chairman of Board of Dir.	Non - Executive
Maria de la Paloma Piqueras HERNANDEZ	Member of Board of Directors	Non - Executive
Javier Bernal DİONİS	Member of Board of Directors	Non - Executive
Johannes Antonius NİJSSEN	Member of Board of Directors	Non - Executive
M. Cüneyt SEZGİN	Member of Board of Directors	Non - Executive
Cemal ONARAN	Member of Board of Directors	Non - Executive
Mahmut AKTEN	Member of Board of Directors	Non - Executive
Burak Ali GÖÇER	Member of Board of Directors and General Manager	Executive

During our rating period, Ali Fuat Erbil, Chairman of Board of Directors left his job as of 15.10.2019 and he was replaced by Recep BAŞTUĞ on the same date.

Board of Directors held 30 meetings between 01.01.2018 and 30.11.2018. 7 of these meetings were held with full attendance. 8 meetings were held with attendance of eight members, 2 meetings with seven members and 12 meetings with six members. Board held 19 meetings in 2019 as of 15.10.2019.

COMMITTEES FORMED WITHIN THE BOARD

Company's Corporate Governance Committee was established in 2011 in accordance with the communiqué on corporate governance principles in insurance company, reinsurance company and pension company, published by Treasury. Working Principles of the committee has been disclosed to public.

CORPORATE GOVERNANCE COMMITTEE

Name Surname	
Dr. M. Cüneyt SEZGİN	Member (Non - Executive)
Cemal ONARAN	Member (Non - Executive)

Corporate Governance Committee held 2 meetings with attendance of all members between 01.01.2018 and 31.12.2018. One meeting with full attendance is planned for 2019.

AUDIT COMMITTEE

Name Surname	
Dr. M. Cüneyt SEZGİN	Member (Non - Executive)
Cemal ONARAN	Member (Non - Executive)

Audit Committee held 4 meetings with attendance of all members between 01.01.2018 and 31.12.2018. 3 meetings were held and one planned in 2019.

REMUNERATION COMMITTEE

Name Surname	
Recep BAŞTUĞ	Member (Non - Executive)
Didem BAŞER	Member (Non - Executive)

Remuneration Committee was established in 2013 and it reports directly to the Board. The Committee held 4 meetings with attendance of all members between 01.01.2018 and 31.12.2018. 4 meetings were held in 2019.

EARLY DETECTION OF RISK COMMITTEE

Name Surname	
Dr. M. Cüneyt SEZGİN	Member (Non - Executive)
Cemal ONARAN	Member (Non - Executive)

Early Detection of Risk Committee held 2 meetings with attendance of all members between 01.01.2018 and 31.12.2018. 2 meetings were held in 2019.

Top Management

Name / Surname	Title
Burak Ali GÖÇER	General Manager
K. Çağlayan BAKAÇHAN	Assistant General Manager (HR, Purchasing and Administrative Affairs, Customer Services and Call Center, Product Development & Actueria, Operation, Legal and Shareholder Relations)
Ahmet KARAMAN	Assistant General Manager (Fund Management and Collection, Budget and Management Reporting and Financial Affairs)
E. Yasemen KÖNE	Assistant General Manager (Organization and Process Management, Customer Relations Management and Marketing, Project Management, Corporate Communication, Digital Marketing and Strategic Planning)
Eda SEVKAR	Assistant General Manager (Private, Corporate and Central Sales)

Balance-Sheet Comparison of Company's Certain Selected Items from two periods

	2017/12	2018/12	Change %
Current Assets	14.202.835.499.	14.851.002.513.	4,56
Non –Current Assets	52.505.586.	61.285.617.	16,72
Total Assets	14.255.341.085.	14.912.288.130.	4,60
Short Term Liabilities	12.324.927.697.	13.682.089.314.	11,01
Long Term Liabilities	296.547.404.	343.294.060.	15,76
Equity	1.633.865.984.	886.904.756.	(45,71)
Total Liabilities	14.225.341.085.	14.912.288.130.	4,60

Source: Garanti Emeklilik ve Hayat A.Ş. 2018 Annual Report

Comparison of Profit / Loss Table of Company's Certain Selected Items from two periods

	2017/12	2018/12	Change %
General Technical Department Balance	278.542.445.	337.217.643.	21,06
Investment Revenue	164.587.616.	291.081.786.	76,85
Investment Expenses	(35.300.383.)	(43.177.497)	22,31
Net Profit/Loss	320.655.002.	453.556.792.	41,44

Source: Garanti Emeklilik ve Hayat A.Ş. 2018 Annual Report

Summary Financial Information of the Company for Last Three Years *

Financial Indicators	2016(000 TL)	2017(000 TL)	2018(000 TL)
BES Fund Size	9.523.446.	11.950.399.	13.309.050.
Technical Provisions	321.451.	409.379.	467.622.
Paid in Capital	53.084.	53.084.	53.084.
Equity	1.313.413.	1.633.866.	886.905.
Total Assets	11.387.747.	14.255.341.	14.912.288.
Life Insurance Premium Production (net)	363.010.	449.673.	444.878.
Technical Income Expense Balance	206.903.	278.542.	337.218.
Non - Technical Income Expense Balance	101.120.	128.586.	248.938.
Profit / Loss Before Tax	308.022.	407.128.	586.156.
Net Profit	245.773.	320.655.	453.557.
Av. Return on Assets (%)	2,39	2,50	3.04
Av. Return on Equity (%)	20,66	21,80	40,13

Company's Private Pension Information for Last Three Years *

PENSION	2016/12	2017/12	2018/12
Pension Fund Size Mio TL	8.357.76	10.247.51	11.129.82
Market Share (%)	15,6	15,1	14,5
Number of Participants	1.130.878.	1.196.397	1.150.560
Market Share in Number of Participants (%)	17,1	17,3	16,7
Total Pension Contribution Share Mio TL	6.836.80	7.907.08	8.458,57
Market Share in Total Pension Contribution Share	15,4	15	14,5

*Source: 28.12.2018 PMC data

Total assets of Garanti Emeklilik ve Hayat increased by 4.60 % and reached TRY 14.9 billion in 2018. At the end of 2018, its equity went down to the level of TRY 886.9 million due to dividend payment for shareholders. The Company increased its net profit after tax 41.44% and reached TRY 453.5 million and became the most profitable company of its sector as it has been for the last 5 years.

A major part of Garanti Emeklilik ve Hayat's profit comes from technical profits, which the Company earns in life insurance and private pension sectors. Company's gross technical profit in 2018 was TRY 337.2 million. 74.3 % of TRY 453.3 million profits before tax in 2018 came from technical profits.

Information on Company Activities

The Company conducts its activities within the framework of Insurance Law No 5684 (“Insurance Law”), which was published by the Official Gazette dated 14 June 2007 and numbered 26552, Private Pension Saving and Investment System Law No 4632 (Private Pension Law”), which was published by the Official Gazette dated 7 April 2001 and numbered 4366, and changed by the Law No 6327 as of 1 January 2013, as well as other regulations. As of 30 September 2017, the Company signs policies / contracts in the branches of Life, Accident and Pensions.

As of December 31st, 2018 the company had a total of thirty three pension funds. In accordance with Fund Portfolio Management Service Contract signed between the parties, 22 Pension investment funds are run by Garanti Portföy Yönetimi A.Ş. and 3 pension investment funds by ING Portföy Yönetimi A.Ş., 3 pension investment funds by İş Portföy Yönetim A.Ş. and 1 pension investment fund by Deniz Portföy Yönetimi A.Ş.

According to data from Pension Monitoring Center, Garanti Emeklilik’s fund volume was **TRY 12,694 million** as of **31.07.2019**. On the same date, Company’s total Government Contribution Funds volume was at the level of TRY **2,107 million**. According to data from Pension Monitoring Center, there are **1,111,079** participants of Company’s pension plans.

Data from Pension Monitoring Center shows that as of **31.07.2019**, Garanti Emeklilik is the number one Company in the market with a market share of **16.35 %** in terms of number of participants. In terms of fund volume, it has the **3rd** place with a market share of **14.36 %**.

Garanti Emeklilik ve Hayat A.Ş. was amongb the first five companies in Automatic Participation as of 28.12.2018.

Although the life insurance sector of Turkey can shrink or expand depending on consumer credits, Garanti Emeklilik ve Hayat increases its premium production consistently every year. The Company’s net premium production in life branch (registered premium minus reassurer share) reached the level of previous year and became TRY 444,878,000.

b. Changes within Last Year:

i. Changes in Articles of Association

There has been no change in Articles Of Association during the rating period (27.12.2018-27.12.2019). Dates of previous changes in Articles of Association and its latest version has been disclosed to public through corporate website.

ii. Dividend Distribution

Company’s dividend distribution process takes place as the Board prepares a dividend distribution proposal and presents in for the approval of General Assembly (in accordance with Turkish Commercial Law, Tax Regulations and Articles of Association). General Assembly discusses whether or not it will be distributed or how and when it will be distributed and makes a decision. All disclosures are made in time.

According to Article 7 of General Assembly meeting on 29.03.2019, convened to discuss 2018 activities, it has been decided not to distribute the net profit of TRY 453,556,792, made by 2018 activities, and to transfer it into Extra Ordinary Special Reserve account.

iii. **Policies and Internal Arrangements**

There have been important changes in Garanti Emeklilik ve Hayat A.Ş.' policies and internal arrangements during our rating period. These are listed chronologically below.

Corporate Policies;

Internal Control, Risk Management Compliance Committee Regulation / Board Decision dated 02.04.2019, No 536

Information Security Policy / Board Decision dated 26.06.2019, No 540

Advertisement and Communication Policy dated 26.06.2019, No 543

iv. **Management and Organization**

Organizational changes during rating period are described below.

At its meeting dated 27.09.2019, No 548 Board of Directors took following decisions as from 01.10.2019;

Digital Marketing and Strategic Planning Department's title will be changed as Corporate Communication, Customer Experience and Digital Marketing. Corporate Communication, Customer Experience and Digital Marketing functions will be reporting to this department.

Customer Relations Management and Marketing Department will be updated as Business Analytics and Customer Solutions. Customer Solutions, Segmentation and Analytics functions will be reporting to this department.

Project Management Department's title will be changed as Digital Transformation and Project Management Department. Digital Platform Management and Project Management functions will be reporting to this department.

Regulation and Compliance Department's title will be changed as Compliance Department. Regulation function will be transferred to Product Development and Actuary Department and this department's title will be changed as Product Development, Regulation and Actuary.

v. **Other**

Company did not make any increase in capital during the year.

There are no privileges in shares that represent Company's capital.

The Company does not have any subsidiaries or affiliated companies.

Direct or indirect domination of Company's capital comes from Garanti Bank Group, which owns 84.91 % of shares. Another influential capital group in the Company is Dutch Achmea with 15 % of shares. This situation did not change during our rating period.

- vi. **National and international awards that Garanti Emeklilik ve Hayat A.Ş. received during our Rating monitoring period between December 2018 and December 2019 are below.**

Call Center Life 2018

Best Call Centers research Organization, Call Center that contributed most to woman employment (Inhouse).

At the "Turkey's Best Call Centers" research, by Call Center Life magazine, Garanti Emeklilik has been selected as the "Inhouse Call Center that Contributed Most to Women Employment" for 2018. The selection was made by sector executives, employees and customers. With this result, Garanti Emeklilik has once again emphasized the importance it gives to women employment and its position as a Company that gives value to its employees.

Crystal Apple

Bank, Insurance and Financial Services and Digital Campaign - Service Categories Bronze Award

With its "Let us complete your green" digital ad campaign in 2018, Garanti Emeklilik won Bronze Award in Bank, Insurance and Financial Services and Digital Campaign - Service Categories of Cristal Apple Creativity Festival.

A.C.E Awards

Şikayet var 2018 Life Pension First Company in the Sector

At the A.C.E (Achievement in Customer Excellence) Awards, Turkey's first award organization about complaint management, based on real complaints in sikayetvar.com with the aim of choosing those brands that ensures a perfect customer experience, Garanti Emeklilik has been chosen as "Best Pension and Life Brand in Management of Customer Experience".

sikayetvar.com conducted surveys among complaining customers in 2018 and it prepared a "Customer Experience Index". This index helped to find companies with best customer experiences and they were crowned with A.C.E AWARDS. The surveys measured many parameters ranging from solution process of complaints to quality of provided service and brand perceptions at every stage. This award has been received again in 2019.

3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide,

titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Directive, no II-17.1, dated January 3rd 2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

In the process of rating, **350** different criteria are considered to measure the compliance of Non-quoted Companies with the corporate governance principles.

Such criteria are translated into the Kobirate A.Ş.'s unique Corporate Governance Rating Questionnaire.

According to CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, the following rates are

applied in the new Corporate Governance Compliance Rating:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB has sent its notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452, on CMB decision dated 01.02.2013 and numbered 4/105 to our company, which required adding new questions into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements of CMB issued good corporate governance principles – bringing 85 % of full points at most – will be included in the rating grade.

The 2014/2 revised corporate governance compliance rating methodology, created by our company, is restricted if the minimum conditions of corporate governance principles – declared in CMB notification of Corporate Governance dated 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. As the company applies and internalizes the criteria stated in corporate governance principles and our company finds out other good corporate governance criteria complied and practiced by the company; our rating system completes the section ratings to 100.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, “10” points mean excellent, full compliance with CMB’s Corporate Governance Principles while grade “0” means that there is unsatisfactory compliance with CMB’s Corporate Governance Principles in the existing structure.

4. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DEFINITIONS
9–10	The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.
7–8,9	The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.
6–6,9	The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.

GRADE	DEFINITIONS
4–5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>

