

# Corporate Governance Principles Compliance Report

## 1. Corporate Governance Compliance Statement

As a developing country, increasing the quality and quantity of international capital attracted to Turkey is so essential. The financial crisis affecting the globe particularly since the third quarter of 2008 caused the world economies, especially US economy, to contract. This global crisis made companies, investors and all other related parties to put an emphasis on the concept of "Corporate Governance" once again.

The Company exemplifies the corporate approach represented in Turkey by the "IS" emblem in the sector. IS Investment is aware that a solid strategy for good governance may be achieved through effective risk management and internal control mechanisms, setting ethical rules, carrying out full public disclosure under the scope of the existing information policy and transparent execution of Board activities.

In accordance with the principles of corporate governance, IS Investment manages the rights and responsibilities of all involved parties, shareholders, employees, customers, funders, potential investors and media institutions with the universal principles of accountability, equality, transparency and responsibility encompassed within the perspective of effective management and control.

Performing its activities in accordance with the ethical values determined in parallel with the Turkish Commercial Code, Capital Markets Law and related legislation, IS Investment is in compliance with the Corporate Governance Principles and deems them as important as financial performance for providing long-term added value for its investors.

## PART I - SHAREHOLDERS

### 2. Investor Relations Department

IS Investment demonstrated the emphasis it places on its relationship with investors by establishing an Investor Relations Department prior to its IPO in order to implement the necessary work for fulfilling public disclosure requirements and for maintaining healthy shareholders and stakeholders relations.

In line with the capital market legislation and Information Policy of the Company, the Investor Relations Department is in charge of the disclosure responsibilities. The department also monitors the coordination of the relationship between IS Investment and its stakeholders.

The Investor Relations Department is responsible for the coordination of the Information Policy which was approved and disclosed to public by the Board of Directors.

The main activities of the Department are as follows:

- Disclose all relevant information and statements that are not considered as inside information to shareholders and stakeholders in a timely manner, accurately, easily, in full and at the lowest possible cost; ensure the disclosed information to be interpreted correctly,
- Ensure that all kind of requests from shareholders and stakeholders are responded accurately within the shortest possible time by coordinating with the relevant department; pay attention that the responses do not include inside information,
- Within the framework of capital markets legislation, fulfill the disclosure requirement about the material events affecting the value of IS Investment's capital market instruments which are traded on the exchange or influencing the investors' investment decisions,
- Ensure that the quarterly financial reports are prepared in compliance with the capital market legislation and disclose these financial statements within the legal time periods,
- Maintain solid relationships with existing and prospective shareholders,
- Supervise that the General Meetings are executed pursuant to the legislation, Articles of Association and CMB Corporate Governance Principles and that the minutes of the General Meetings are registered precisely,
- Employ the "Investor Relations" page of the Company's website actively for public disclosures; update the page with the most recent material event statements, investor presentations, relevant corporate information, and documents that the regulatory authority and CMB Corporate Governance Principles enquire,

- Ensure compliance to CMB Corporate Governance Principles in making public disclosures and informing shareholders and stakeholders,
- Report to the Board of Directors about the activities of Investor Relations Department semi-annually, annually and when required.

The Investor Relations Department, since the foundation, provided in-depth answers to all information requests submitted by phone or e-mail under the scope of IS Investment Information Policy and participated to investor meetings. Furthermore, various teleconferences have been held so far.

The contact information of the Investor Relations Department, which is also disclosed on IS Investment's website, is provided below.

#### Mert Erdoğan

Assistant General Manager

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Capital Markets Activity License Type: Advanced

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#### Ozan Altan\*

Vice President

Level of Education: M.A.

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Corporate Governance Rating Specialist

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\* According to the resolution of the Board of Directors date 16th of March, 2009, Mr. Ozan Altan was assigned to the head of Investor Relations Department and delegated to provide the coordination of the Corporate Governance practices of IS Investment.

### 3. The Use of Shareholders' Rights to Obtain Information

During the year, the Investor Relations Department was asked about IS Investment's financial highlights, market and stock price performance, General Meeting, dividend policy; decision to shift to registered capital system, overseas investments and subsidiaries.

Requests directed by investors were answered accurately as soon as possible, under the scope of IS Investment Information Policy announced on the corporate website concurrent to the IPO. It was ensured that the disclosed information did not include any inside information.

The electronic environment was effectively utilized concerning the developments that may have impact on the exercise of shareholders' rights. Material event statements submitted to Istanbul Stock Exchange (ISE) were also published on IS Investment's website in both Turkish and English on the same day the statement was made. In addition, investor presentations and other changes in Company structure were immediately updated on the website. Investors were informed about the significant issues of these announcements; press releases were also forwarded to leading press institutions.

Besides, information about IS Investment's stock price performance is available on the website to the attention of investors.

The right to request appointment of a special auditor is not included as a personal right in the Articles of Association which stipulates that this right applies to shareholders holding at least 5% (five percent) of the capital as set forth in the Capital Markets Law.

There was no request for a special auditor within the period.

#### **4. Information on General Meetings of Shareholders**

IS Investment held its Annual General Meeting (AGM) on April 27, 2009; held its Extraordinary General Meeting of Shareholders and General Meeting of (A) Group Privileged Shareholders on January 18, 2010.

##### **The Annual General Meeting dated April 27, 2009**

Pursuant to the CMB Corporate Governance Principles, invitation for AGM was announced by material event statement via KAP (E-Public Disclosure Platform of ISE), two country-wide reputable newspapers and our website three weeks before the date of AGM.

The list of attendees revealed that out of the 119,387,000 shares representing the Company capital of TL 119,387,000; 84,189,173 shares in person, 8,018,704 shares by proxy; totally the amount of TL 92,207,877 shares were represented at the meeting and thus the meeting quorum stipulated in both the related law and the Articles of Association was fulfilled.

##### **The Extraordinary General Meeting of Shareholders and The General Meeting of (A) Group Privileged Shareholders dated January 18, 2010**

In order to amend the Articles of Association in line with the amendment draft, the Extraordinary General Meeting of Shareholders and the General Meeting of (A) Group Privileged Shareholders were held at 11:00 a.m. and 11:30 a.m. respectively, on January 18, 2010.

Article 3, 6, and 8 of the Articles of Association were revised. Through the amended articles;

- The Board of Directors is authorized to issue capital markets instruments.
  - IS Investment shifted to registered capital system with a ceiling of TL 300,000,000.
  - The Board of Directors is authorized to determine the formal procedures about the exercise of pre-emptive rights during capital increases.
- respectively.

Pursuant to the CMB Corporate Governance Principles, invitations for the General Meetings were announced by material event statement via KAP (E- Public Disclosure Platform of ISE), two country-wide reputable newspapers and our website three weeks before the date of AGM.

For the Extraordinary General Meeting of Shareholders, the list of attendees revealed that out of the 119,387,000 shares representing the Company capital of TL 119,387,000; 81,285,173 shares in person, 9,480,153 shares by proxy; totally the amount of TL 90,765,326 shares were represented at the meeting and thus the meeting quorum stipulated in both the related law and the Articles of Association was fulfilled.

For the General Meeting of (A) Group Privileged Shareholders, the list of attendees revealed that out of the 150,000 shares representing the (A) Group Privileged Company capital of TL 150,000; 150,000 shares in person were represented at the meeting and thus the meeting quorum stipulated in both the related law and the Articles of Association was fulfilled.

The invitations, agendas, proxy samples, minutes of the General Meetings and the amendment draft of the Articles of Association were disclosed on KAP (E-Public Disclosure Platform of ISE). These documents are also published on the website of the Company to the attention of both shareholders and stakeholders.

In order to enable decisions to be taken with no delay in a rapidly changing conditions of capital markets that is under the effects of an increasing competition, the Articles of Association does not include any provision that significant decisions regarding the divisions, purchase, sale or lease of tangible/intangible assets in significant amounts and similar activities to be taken by the AGM.

#### **5. Voting Rights and Minority Rights**

There are no voting rights privileges. However, Group (A) shareholders have privileges to designate candidates for the Board of Directors. Five members of the Board are nominated by Group (A) shareholders, while two of them are nominated by Group (B) shareholders.

There are no cross ownership associated with any company and minority shareholders are not represented in the Board.

#### **6. Dividend Policy and Deadline for Dividend Distribution**

Distribution of the first obligatory dividend of the distributable profit at the ratio and amount determined by the Capital Markets Board has been adopted as a principle as of Article 16 in the Articles of Association; there is no stipulation concerning advance dividend distribution to shareholders.

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The Board of Directors aims to increase the Company's diversity of activity and services, as well as to provide a high profit return for its shareholders. In accordance with the related legislation, the Board of Directors takes the following into consideration:

- a) Maintaining a balance between the expectations of the shareholders and the growth policies of IS Investment,
- b) The general profitability of the Company.

Based on these conditions, the Board of Directors has adopted a dividend policy whereby the dividend payment would not be less than 30% of the total distributable profit and would be distributed as cash and/or stock dividend.

If it is decided in the AGM to pay a dividend, efforts will be made to make payments as soon as possible and within the period specified in the related legislation.

There are no redeemed shares or privileged shares in terms of dividend distribution.

IS Investment's Dividend Policy was disclosed to shareholders on 28 April 2008 in the first AGM to be held as a listed company. IS Investment's Dividend Policy has been publicly disclosed on the corporate website.

## 7. Transfer of Shares

The Articles of Association stipulate that there is no restriction on the transfer of shares in accordance with the conditions set forth in capital markets legislation.

## PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Information Policy

IS Investment's Information Policy was approved by the Board of Directors and announced on the corporate website. At IS Investment; the Board of Directors bears the responsibility for the fulfilment of public disclosure requirement; supervise, maintenance and development of this disclosure. The Investor Relations Department and the Assistant General Manager responsible for this Department have been assigned to the coordination of this disclosure function; they fulfil this task in close collaboration with the Board of Directors and the audit committee.

### 9. Material Event Statements

Material event statements, excluding information constituting trade secrets, are all significant activities of the Company that may have an impact on the value of Company shares and investment decisions and they must be submitted to the ISE and when necessary to the CMB, utilizing the correct methods and within the time stipulated in the current legislation. IS Investment fulfils this significant responsibility for public disclosure with the utmost fastidiousness. In 2009, 566 material event statements were submitted to the ISE for IS Investment and the ETFs established by IS Investment; "IS Investment Dow Jones Turkey Equally Weighted 15 A Type Exchange Traded Fund" and "IS Investment iBoxx Turkey Benchmark Bond Exchange Traded Fund." No additional statement requests were made by the CMB or the ISE for the related statements.

Material event statements submitted to ISE are also published on IS Investment's website on the same day the statements are made.

IS Investment shares are not listed on a foreign stock market.

## 10. The Company's Website and its Contents

IS Investment websites, available in both Turkish and English, can be found at [www.isyatirim.com.tr](http://www.isyatirim.com.tr) and [www.isinvestment.com](http://www.isinvestment.com). Information on the following topics is provided for shareholders and stakeholders under the heading, Investor Relations, as stipulated in the relevant section of the CMB Corporate Governance Principles;

- Vision, Mission and Corporate Values,
- Corporate Information,
- Trade Registry Information,
- Ownership Structure & Subsidiaries,
- Articles of Association,
- The Board of Directors and Executive Committee,
- Organization Structure,
- Rating Reports,
- Research Reports about IS Investment,
- Corporate Governance Principles Compliance Report,
- Declaration of the Independent Member of the Board,
- Policy on Struggle Against Laundering Proceeds of Crime and Terrorism Financing,
- Dividend Policy,
- Ethical Principles,
- Risk Management,
- Information Policy,
- Investor Relations Contact Details,
- Public Offering Circular,
- Financial Statements and Independent Auditor Reports,
- Investor Presentations,
- Annual Reports / Quarterly Reports,
- Invitations to General Meetings of Shareholders,
- Agendas of General Meetings of Shareholders,
- Power of Attorney,
- Minutes of General Meetings of Shareholders,
- Stock Performance,
- Privileges Assigned to Shares,
- Capital Increases,
- Material Event Statements,
- Contact Information,
- Notification.

### 11. Disclosure of the Company's Ultimate Controlling Individual Shareholder(s)

IS Investment has no ultimate controlling individual shareholder(s). The ownership structure of IS Investment is published on the website to the attention of shareholders and stakeholders.

### 12. Disclosure on Insiders

All manipulations of non-public information that may affect the value of capital market instruments, for deriving personal benefit or benefit for third parties or eliminating a loss, in a way as to disrupt the equal opportunity among the participants operating in capital markets are deemed insider trading.

The procedures for the act of insider trading are set forth in IS Investment Internal Regulations. Accordingly, IS Investment employees may not disclose any information obtained about individuals, institutions and customers due to their titles and duties, to any party other than authorities clearly expressed by law. In addition, IS Investment employees and their relatives may not engage in the stock trading activity.

"List of People Who Have Access to Inside Information" was prepared as of May 1, 2009 and the pertinent list is kept available to submit to Capital Market Board and related exchange on demand in line with the capital market legislation.

## PART III - STAKEHOLDERS

### 13. Informing Stakeholders

IS Investment employees, investors, analysts and media institutions are informed within the shortest possible time and accurately about material events.

Material event statements submitted to ISE are published on the website in both Turkish and English to the attention of stakeholders on the same day the statements are made. In addition, press releases are forwarded to media institutions after material event statements that may stir public attention.

### 14. Stakeholders' Participation in the Management

Stakeholders may ask the Board of Directors to convene upon application to the Chairman; the Chairman may open the issue for discussion at the next Board meeting if the Chairman concludes that it is not necessary to convene immediately, as stipulated in the Articles of Association of the Company.

In addition to the above-mentioned right, IS Investment employees who hold a very special place among stakeholders are provided with the opportunity to deliver their opinions and suggestions concerning Company management through both the Human Resources Manager and their own managers.

### 15. Policy on Human Resources

IS Investment established its policy on human resources and disclosed to public on the corporate website.

Commitment to ethical values, continuous development and customer-oriented approach are the values embraced in IS Investment's Human Resources Policy. The principle to provide equal opportunities to candidates equally is adopted as recruitment policies and career planning is determined. An increase in authority, responsibility and salary comes with the promotion. It is essential to have the necessary knowledge and experience required in the job description in order to be promoted to a higher position. The most important criterion in promotions is the performance of the employees.

IS Investment's main training policy is to provide equal opportunity and to contribute to the professional and personal development of its employees.

Job descriptions, performance and remuneration criteria of employees are determined by the Company and shared with the employees. IS Investment's performance management system is an integrated system in which both goals and competencies are assessed. Performance review is based on objective analysis and synthesis, designed to determine the extent to which employees meet job requirements as well as their success on the job.

Measures are taken to prevent any discrimination based on religion, language, race and gender; to show respect for human rights and to protect employees against any physical, psychological and emotional maltreatment in the Company. No complaints concerning these subjects have been received.

A representative has not been appointed to manage relations with the employees in accordance with the stipulations in article 14.

### 16. Information on Relations with Customers and Suppliers

IS Investment utilizes a customer-oriented investment banking approach and provides capital market services to its clients in line with its ethical values. Concurrent with these aims, the Company strives to identify client needs by analyzing changing market conditions and increasing demands by investors along with the development of products and services able to fulfil these needs.

Investment advisors are charged to manage relationships with the customers with the goal of increasing the value of customers' assets. This is achieved by utilizing the most suitable financial tools based on the risk-return expectations of the client. Moreover, Customer Satisfaction Surveys were conducted regularly and feedbacks were collected.

IS Investment has no suppliers due to its field of activity.

### 17. Social Responsibility

IS Investment is an important player in Turkish capital markets with the level of employment provided by its founder and main shareholder IS Bank and its subsidiaries. This has grown out of an awareness of its social responsibilities - one of its core management principles.

In addition to IS Investment's contributions to the Turkish economy, it also provides support to the community in a variety of social fields with its approach to employees and the support given to NGOs, educational institutions, scientific projects, athletics, the arts and cultural events.

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The activities of IS Investment have no contradiction to the environmental legislations and the Company has not faced any legal enforcement in this regard.

## PART IV - THE BOARD OF DIRECTORS

### 18. Structure and Formation of the Board of Directors and Independent Members

#### The Board of Directors\*

Özcan Türkakın,  
Chairman  
Güzide Meltem Kökden,  
Vice Chairman  
Emre Duranlı,  
Member  
Turan Gökçen Bali,  
Independent Member  
İzlem Erdem,  
Member  
Serpil Kılıboz,  
Member  
Ebru Özşuca,  
Member

\*Members of the Board do not play an executive role at IS Investment.

#### Executives

İlhami Koç,  
General Manager  
Murat Kural,  
Assistant General Manager (Dep. General Manager)  
Ufuk Ümit Onbaşı,  
Assistant General Manager  
Ertuğ Yıldırımcan,  
Assistant General Manager  
Mert Erdoğmuş,  
Assistant General Manager  
Funda Çağlan Mursaloğlu,  
Assistant General Manager

It is stipulated in the Articles of Association that the General Manager cannot concurrently serve as Chairman of the Board of Directors.

The qualifications of independent board members are expressly set forth in the CMB Corporate Governance Principles. In line with its status in capital markets, IS Investment is of the opinion that an independent member possessing the specified qualifications and the capacity to make significant contributions to the Company should hold a seat on the Board

of Directors. With this approach, Mr. Turan Gökçen Bali, for the second time, has been assigned as the Independent Board Member by the AGM held on April 27, 2009 until the date of the next AGM. The "Independence Declaration" of the independent board member has been disclosed to public by IS Investment's website and annual/quarterly reports.

The conditions by which Board Members may undertake duties outside IS Investment is prescribed by the general rules. However, it has been set forth in the Articles of Association that Board Members will not obtain permission from the AGM for trading with IS Investment nor be exempt from prohibition of competition.

#### Independence Declaration

To the Board of Directors of IS Investment;

I hereby declare to the Board of Directors, shareholders and stakeholders that I fulfill the below mentioned requirements due to be elected to the Board of Directors as an Independent Member at the Annual General Meeting which was held on April 27, 2009 and take into consideration with Corporate Governance Principles of CMB;

- I do not have any direct or indirect relationship of interest in terms of employment, capital or trade and commerce between the Company, its subsidiaries, affiliates or any other group company and myself, my spouse and my blood or affinity relatives by up to the third degree within the last two years,
- I was not previously elected to the Board of Directors as a representative of a certain group of shareholders,
- I was not employed in a company, primarily for the audit and consultant firm, which undertakes full or partial activity or organization of the Company under a contract and did not have a managing position therein within the last two years,
- I was not previously employed by the external auditor of the Company, nor was I included in the external audit process within the last two years,
- I was not previously employed by a firm providing significant amounts of services and products to the Company and did not have a managing position therein within the last two years,

- My spouse or any her relatives by blood and affinity up to the third degree, did not have a managing position nor were they shareholder holding more than 5% of the total capital or controlling shareholder by all means and did not hold a managerial position or not to be effective in the control of the Company,
- I do not receive any compensation other than the Board membership compensation.

Sincerely,  
Prof. Dr. Turan Gökçen Bali

### 19. The Qualifications of Board Members

All Board members are university graduates and experienced managers in their fields. In this respect, qualifications of IS Investment Board of Directors comply with the specifications listed under the relevant articles of the CMB Corporate Governance Principles.

The Articles of Association also embody the condition that more than half of the Board Members must hold a university degree.

### 20. Vision, Mission and Strategic Goals of the Company

IS Investment's vision, mission and corporate values are approved by the Board of Directors and disclosed to public on the corporate website.

#### Vision

To be the most preferred leader and reliable investment institution in Turkey and in the region.

#### Mission

- To offer all investment banking services under one entity,
- To produce qualified information, establish information based strategies and create value,
- To be innovative in product and service development,
- To lead the development of capital markets,
- To follow technologic developments and apply them to activities,
- To ensure customer satisfaction,
- To increase the value created for shareholders.

### Corporate Values

- **Customer Focused:** To be near our customers; to perform correctly the risk-revenue analysis conforming their expectations; to offer services of required and desired quality in order to increase our customers' assets in parallel to this analysis.
- **Market-Centered:** To create the highest added value possible for our investors and our corporation basing on the developments by following instantly domestic and international capital markets.
- **Dynamism and Innovation:** To search for the better and the newer through our efficient human resources specialized in their domain, in the most conforming way to market conditions, by respecting our corporate policies and with an endless energy in order to develop continuously our values, services and products.
- **Confidentiality:** To respect confidentiality principles related to the matters of clients' identity, transactions and trade secret which may affect our share value within the context of laws, corporate policies and ethical values.
- **Reputation:** To continue to be the representative of confidence and success atmosphere created by the brand name "İş" that we represent proudly in capital markets.
- **Esteem the Employees:** To ensure continual training and development of our expert staff that we recruit by considering our corporate values with the corporate social responsibility concept; to exert a human resources policy granting equal rights to the ones being under equal conditions by not applying any religious, linguistic and ethical discrimination, within the context of comfortable, secure and specific career plan.
- **Team Work:** To bring the productivity to the highest possible level by creating a synergy combining the division of labour and cooperation, efficient sharing and solidarity.
- **Respect to Laws, Corporate Governance Principles and Ethical Values:** To ensure the best international practice in the domain of corporate governance principles in order to sustain our success in markets and financial performance by respecting the laws and our ethic values through transparent management, efficient risk management and internal mechanism.

- **Perfectionism:** To be conscious that one can be even better if he always endeavours to be the perfect.
- **Objectivity and Impartiality:** To ensure conduction of relations with clients without causing any conflict of interest during the performance of capital market activities, informing our shareholders in correct, complete and timely manner, making objective commentaries on markets.
- **Social Responsibility:** To spend maximum effort in order that primarily our employees, the environment and other internal and external entities get maximum benefit while trying to meet our objectives of growing and making profit.

Strategic goals related to IS Investment activities are prepared and presented to the Board of Directors in a report authored by managers. In this report, in addition to macroeconomic evaluations, information and expectations related to domestic and international markets are shared. Strategic goals determined in accordance with this information are approved by the Board of Directors after reviewing the performance of the previous period.

### 21. Risk Management and Internal Control Mechanisms

Effective risk management is fundamental to success in the financial services sector since requirements of shareholders, regulators and customers are continuously increasing. On the other hand, in a challenging and changing risk management environment, the level of effective risk management activities is constantly being raised. Risk measurement and management activities are integrated in IS Investment's core business activities; as a result, the Risk Management department, which operates separately within the whole organization, was restructured in 2006 as a department.

In the course of managing its business operations, IS Investment might be exposed to a variety of risk. Proactive control and management activities are basically achieved related to market, credit, liquidity and operational risk categories.

An effective internal audit system, covering internal control and audit activities has been established. The organizational plan applied at IS Investment and all the relevant rules and procedures is undertaken in transactions at IS Investment including non-central organizations, regularly, efficiently and effectively in accordance with the current internal and legal regulations. In addition, this system has been established to maintain the integrity and reliability of accounting and recording, to provide timely and correct access to information in the data system and to detect and prevent mistakes, forgeries and unlawful practices.

In addition, an audit system has been created covering all activities and units at IS Investment, primarily within the internal control system, which enables evaluation of these fields and includes the systematic auditing process where findings and evidence are obtained as a result of reporting and reviewing. The audits are performed by inspectors to conform to the regulations and policies and are independent of IS Investment's daily activities, in accordance with the needs of management.

The Compliance Department in particular and all units in general, show the utmost care in protecting the Company's reputation and with regard to liabilities arising from legislation, compliance to corporate principles, customer satisfaction, reputation and credibility.

### 22. Authorities and Responsibilities of Board Members and Executives

The Board of Directors bears the responsibility to represent IS Investment as set forth in the Articles of Association. The Board of Directors may transfer its management and representation-related duties and authorities, in part or in full, to delegated Board Members and managers who are not obliged to be shareholders, in accordance with the Article 319 of the Turkish Commercial Code.

The Board of Directors fulfils the activities under the scope of the Turkish Commercial Code, Capital Markets Law and related legislation.

# Corporate Governance Principles Compliance Report

## 23. Operating Principles of the Board of Directors

At IS Investment, the Board of Directors convenes at least once a month. The Board of Directors may meet more frequently when it is deemed necessary. The meeting's agenda is determined by the General Manager and within the knowledge of the Chairman; the Chairman or his/her proxy announces the meeting by invitation.

As noted earlier, stakeholder(s) representing a minimum of five percent of IS Investment capital and stakeholders defined in the Corporate Governance Principles publicly disclosed by the Capital Markets Board of Turkey may invite the Board of Directors to convene by applying to the Chairman.

An Assistant General Manager has been appointed as "Reporter" to notify Board members and establish communication.

Board Members do not have weighted voting rights and/or the right to veto during a meeting.

## 24. Prohibition of Carrying out Transactions with the Company and Prohibition of Competing with the Company

Board Members will not receive permission from the AGM to carry out trade with IS Investment; nor will they receive exemption from the prohibition of competition as stated in the Articles of Association, in accordance with the Articles 334 and 335 of the Turkish Commercial Code.

## 25. Ethical Rules

The Board of Directors formulated a code of ethics in parallel with the regulations of the Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) with the aim of increasing social and economic benefits, preserving the dignity of the brokerage vocation and preventing unfair competition in addition to legal and administrative regulations. The employees of IS Investment have been notified of the code of ethics in written format.

The code of ethics of IS Investment has also been publicly disclosed on the corporate website in accordance with IS Investment's information policy.

## 26. Numbers, Structures and Interdependency of Committees Established by the Board of Directors

It is set forth in the Articles of Association that in order to fulfil its duties and responsibilities beneficially, the Board of Directors may set up committees and departments required by legislation and approved by the Board. The Board of Directors will observe Corporate Governance Principles disclosed by the CMB to set up these committees and departments.

In this respect, a Committee Responsible for Audit and a Credit Committee was established within IS Investment's Board of Directors. The Committee Responsible for Audit is composed of the Chairman Mr. Özcan Türkakın, Ms. Güzide Meltem Kökden and Mr. Emre Duranlı.

This Committee convenes at least four times a year on the condition that the time between two meetings shall not exceed three months. The committee determined the results of executed activities, precautions that should be taken in the Company, other necessary implementations and other issues vital to maintaining IS Investment's activities securely and reports these results to the Board of Directors. The reporter for the Board of Directors is responsible for following up the activities of the Committee.

The Credit Committee is structured under the leadership of a responsible Board Member appointed by the Board decision. The Committee convenes when necessary.

## 27. Remuneration of the Board of Directors

Monthly salaries and attendance fees for Board members are determined by the AGM, as stated in the Articles of Association.

It was decided in the Ordinary General Meeting of Shareholders held on April 27, 2009 that the salary of board members were determined as gross TL 5,000/month. A performance-based remuneration system is not implemented for determining the financial rights of Board members.

At IS Investment, Board members and executives do not engage in transactions with the Company such as lending money, extending credit or providing guarantees.