



Corporate Governance and Credit Rating Services, Inc.



Corporate Governance Rating Report



UGM

25 April 2019

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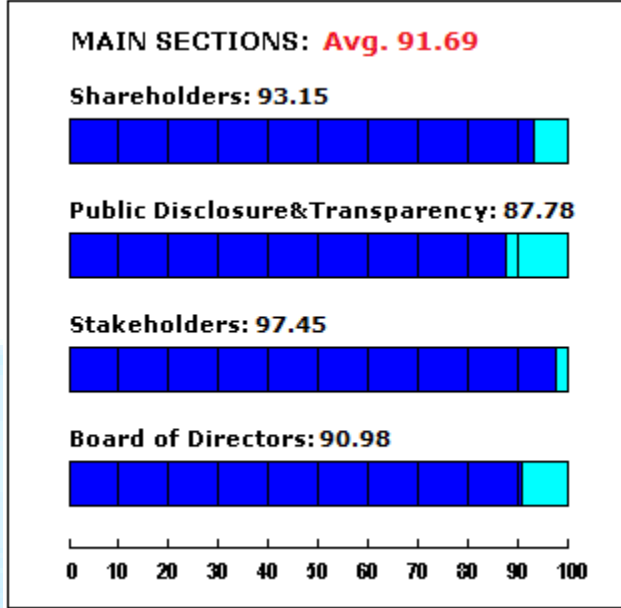
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## Rating and Executive Summary

### ÜNSPED GÜMRÜK MÜŞAVİRLİĞİ VE LOJİSTİK HİZMETLER A.Ş.

**SAHA**  
Corporate Governance Rating:

**9.17**  
Priv.



## EXECUTIVE SUMMARY

ÜNSPED Gümrük Müşavirliği ve Lojistik Hizmetler A.Ş.'s (ÜNSPED) previous Corporate Governance Rating of 9.01 dated May 5th, 2018, is hereby revised up to **9.17**. SAHA's rating methodology is based on the Capital Markets Board's (CMB) "Corporate Governance Principles" released on January of 2014.

ÜNSPED Gümrük Müşavirliği ve Lojistik Hizmetler A.Ş.'s corporate governance rating is revised as above in consideration with the importance given by ÜNSPED to corporate governance principles, its willingness to carry out the continuous and dynamic process, and improvements which had been initiated in this direction since May 5, 2018.

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.. ÜNSPED 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 September 3, 2018 can be accessed at <http://www.saharating.com>.

ÜNSPED is rated with **9.31** 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. Company carries out the investor relations obligations via the Shareholder Relations Unit. Shareholders' rights to obtain and review information are adequately supplied. There are no privileges or limits 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. Company has a publicly disclosed dividend policy. On the other hand, there are areas for improvement like absence of a regulation in the Company's articles of association on minority rights.

ÜNSPED attained **8.78** under the **Public Disclosure and Transparency** chapter. The Company has a comprehensive web site, prepared both in Turkish and in English. Agreement and studies conducted with external auditors comply with the legislation. The annual report is comprehensive, informative, and also complies with the legislation. However, list of ultimate controlling individual shareholders are not disclosed to the public.

On the topic of **Stakeholders**, ÜNSPED scored **9.75**. The Company 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 public on the corporate web site. Relationships with stakeholders are on good terms. The Company has a written human resources policy. Social responsibility, environmental consciousness and sustainability activities are satisfactory.

From the perspective of the principles regarding the **Board of Directors**, ÜNSPED's tally is **9.10**. There is a well communicated Company mission and vision, and the board fulfills all duties regarding Company needs. Executives perform their activities in a transparent, accountable, fair and responsible manner and possess the necessary authority and qualifications. Audit, Early Detection of Risk and Corporate Governance Committees are established. The board consists of 7 members of which 3 are female and 1 is independent.

## Rating Methodology

SAHA's methodology for "Non-public Standard Companies" (Priv.) on 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 Company'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 Company 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 company should be in full and perfect compliance with the Principles (see Rating Definitions, p.19).

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.

### **METHODOLOGY AMENDMENT**

Just like any other methodology, the Corporate Governance Rating

methodology applied by SAHA bears a dynamic feature that is expected to respond to increasing experience and needs over time. With this understanding, we review our methodology in each rating process and highlight the possibilities for improvement.

Regarding the content of the methodology; even enrichment is necessary by sortation of questions and adding new questions due to changes in the legislation and also as a result of our rating experience, some questions require corrections and updates to eliminate possible uncertainties. These enrichment, corrections and additions do not manipulate the aggregate grading of our methodology's four main sections and their subheadings, but affect the weight of the question slightly at the third and next levels. Therefore, the weights of the four main sections of our methodology and their subheadings have not changed.

Pursuant to the Capital Markets Board (the "CMB") Decision dated January 10, 2019 and numbered 2/49, to inform the public about their corporate governance practices, publicly traded companies are now required to use the templates of the Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) through the Public Disclosure Platform (PDP).

However, in 2019, companies listed on BIST have been granted a transition period and are free to prepare compliance reports in accordance with the previous and/or the new format. Only the new format will be used as of next year. This recent application is added to our methodology.

Furthermore, rating of voting and nomination privileges under the heading 'Voting Rights' without fail and in each case separately, and the ever

crucial risk management organization especially in the recent period have increased the importance of the coordination and supervision of the early detection of risk committee established within the board of directors. In addition, taking into account the principles updated by the OECD in 2015, the issue of 'more clear and functional objectives' adopted by the Board of Directors have been added to our methodology.

Although our methodology applications on public and private companies, public and private banks, public and private non-bank financial institutions have changed accordingly, CRF and CGIF forms are not taken into account for the non-public companies.

## Company Overview

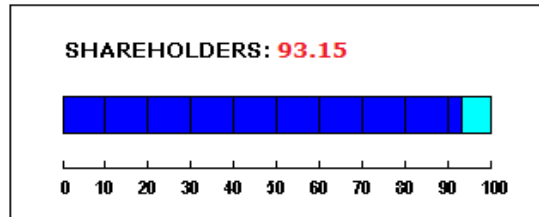
<b>ÜNSPED Gümrük Müşavirliği ve Lojistik Hizmetler A.Ş.</b>	
	<b>CHAIRMAN OF THE BOARD</b> Gürbüz Hocoğlu <b>GENERAL MANAGER (alternate)</b> Yusuf Bulut Öztürk
Mahmutbey Mah. Küçük Halkalı Cad. Altuğ Sok. No:3 Kat:2 Bağcılar/Istanbul 0212 410 99 99 <a href="http://www.ugm.com.tr">www.ugm.com.tr</a>	<b>Shareholder Relations Unit Manager</b> Celalettin Güteryüz <a href="mailto:celalettin guleryuz@ugm.com.tr">celalettin guleryuz@ugm.com.tr</a>

ÜNSPED Group of Companies initially started its operations in 1981 under the title "ÜNSPED Beynelmillel Nakliyat - M. Haluk Ündeğer" and has been involved in international trade for 35 years. ÜNSPED became a joint stock company in 1995 and has expanded the field and scope of its activities. The Company offers variety of services in areas of foreign trade customs procedures and logistics. Within this context, ÜNSPED provides mainly import and export customs clearance services along with follow-up of incentive procedures, Turkish Standards Institution (TSI) Standardization, Regulatory Consulting, Collateral Release, legal affairs, training, seminars, digital archiving and translation. In addition, between 2010 and 2013, ÜNSPED incorporated 5 important customs brokerage firm to expand its service network.

The capital structure of the Company is as follows:

<b>Shareholding Structure of ÜNSPED Gümrük Müşavirliği ve Lojistik Hizmetler A.Ş.</b>		
<b>Shareholder</b>	<b>Share Value (TL)</b>	<b>Share %</b>
Yusuf Bulut Öztürk	3,438,675	99.96
OTHER	1,325	0.04
<b>TOTAL</b>	<b>3,440,000</b>	<b>100.00</b>

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	An official is appointed to carry out relations with shareholders.
+	There are no voting privileges.
+	No restrictions on transfer of shares.
+	Conduct of general shareholders' meetings is deemed sufficient by the TCC and developed in accordance with the Principles.
+	Disclosure and Dividend Distribution Policies disclosed to the public and submitted to the attention of the general shareholders' meeting.
-	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:

A Shareholder Relations Unit is established to monitor the relations with the shareholders, reporting to the Chief Financial Officer.

Mr. Celalettin Güleriyüz is responsible for management and operations of the Shareholder Relations Unit.

The duties and responsibilities of the Unit are defined properly.

The Shareholder Relations Unit;

- Ensures that the records relating to the shareholders are

kept in a healthy, safe and updated manner,

- Responds to the queries of the shareholders requesting written information on the Company,
- Ensures that the general shareholders' meeting is held in compliance with the applicable legislation, articles of association and other Company by-laws,
- Prepares the documents that might be used by shareholders in the general shareholders' meeting.

The Shareholder Relations Unit submits a report to the board of directors at least once a year on the activities conducted.

Upon interviews held with the Company officials during the rating process, we believe that they adopted a clear stance in the adoption and implementation of Corporate Governance Principles and are ready to make any necessary improvements.

#### 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.

For the purpose of expanding the shareholders' right to obtain information, any information that may affect the exercise of the rights is available to all shareholders.

The Company has established a disclosure policy, submitted to the attention of the general shareholders' meeting and disclosed it to the public on its corporate web site.



There is no dispute which has been brought before courts due to the unanswered information and review requests of the shareholders.

### **1.3 General Shareholders' Meeting:**

Since an observer of SAHA could not participate to the ordinary general shareholders' meeting of the Company held in 2019, all assessments are based on related meeting documents and declarations of Company officials.

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 general shareholders' meeting was realized through the Company's web site.

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 that the annual report, financial statements and other meeting documents can be examined at the Company's headquarters.

All announcements prior to the general shareholders' meeting included information such as;

- a) the date and time of the meeting
- b) location of the meeting
- c) agenda items
- d) body inviting to the general shareholders' meeting

In addition, shareholders are informed via the annual report on total number of shares and voting rights reflecting the Company's shareholding structure and whether there are any privileged share groups.

Besides, the Company has prepared a descriptive disclosure document on agenda items.

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.

The general shareholders' meeting was held in Company headquarters at Bağcılar, Istanbul.

Company officials have declared that items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting.

Company officials also declared that the participants of the general shareholders' meeting were verbally informed on activities of board members authorized to execute transactions and compete with the Company.

As indicated on minutes of the meeting, members of the board of directors related with those issues of a special nature on the agenda, other related persons and authorized persons who are responsible for preparing the financial statements were present to give necessary information and to answer questions at the general shareholders' meeting. Participation of entire board members to the general shareholders' meeting is considered positive by us.

The Company has established a policy on donations and grants and it has been approved at the general shareholders' meeting.

Furthermore, shareholders are informed, with a separate agenda item, of amount and beneficiaries on all donations and grants effectuated during the reporting period.

#### **1.4. Voting Rights:**

We have come to the conclusion that all shareholders are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no voting privileges at ÜNSPED.

#### **1.5. Minority Rights:**

There are no regulations regarding minority rights in the articles of association, but the existing provisions of the Turkish Commercial Code are abided by.

#### **1.6. Dividend Rights:**

The dividend policy of the Company is clearly defined, consistent and disclosed to public on the corporate web site.

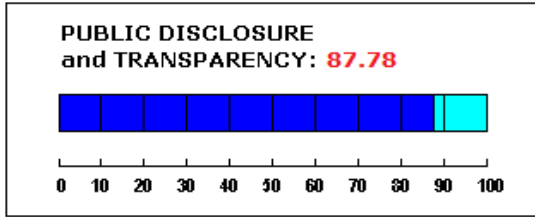
In the dividend distribution policy, it is believed that a balanced policy is followed between the interests of the shareholders and those of the Company.

There are no privileges on partake of the profits. In addition, the articles of association contain a provision on advance dividend payments.

#### **1.7. Transfer of Shares:**

There are no restrictions on free transfer of shares and the articles of association do not contain any provisions that impede the transfer of shares.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

+	Comprehensive web site, actively used for public disclosure.
+	Annual report complies with the legislation, comprehensive and informative.
+	Agreement and studies conducted with external auditors comply with the legislation.
-	All benefits provided to the members of the board of directors and senior executives are disclosed collectively, but disclosure on a personal basis is essential.

### 2.1. Corporate Web Site:

Company's web site ([www.ugm.com.tr](http://www.ugm.com.tr)) is actively used for disclosure purposes. Internet address is easy to find and accessible. In addition, the web site has been prepared in English.

Access to publicly disclosed information is provided through the web site which is formatted and configured accordingly.

The corporate web site includes; trade register information, information about latest shareholder and senior management structure, final version of the Company's articles of association, annual reports, dividend distribution policy, disclosure policy, ethical rules of the Company, working principles of the Committees and the corporate

governance compliance declaration disclosed via the annual report.

The Company's web site also includes; the vision/mission of the Company established by the board, information on corporate social responsibility/sustainability activities, financial data released through the annual report, frequently asked questions and responses thereof, web site privacy/security policy and the human resources policy.

However the shareholding structure of the Company; the names, amount and rate of the shares held by the ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners are not disclosed to the public through the corporate web site.

### 2.2. Annual Report:

There is an annual report prepared by the board of directors and it covers information such as;

- a) Period covered by the report, the title of the Company, trade register number, contact information,
- b) Names and surnames of the chairman, members and executive directors served on the board and supervisory committees during the covered period,
- c) General explanations related to productivity rates and causes of significant changes compared to previous years,
- d) Company's organization, capital and ownership structure, significant changes, if any, during the fiscal year,

- e) Information on number of employees,
- f) The dividend distribution policy,
- g) Basic ratios on the financial position, profitability and solvency,
- h) Major court cases against the Company and possible consequences,
- i) 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,
- j) Information on related party transactions,
- k) Information on Committees established within the board of directors,
- l) Risk management policies of the Company,
- m) The number of board meetings held during the year and participation status of the members.

However,

- a) The sector in which the Company operates and information on its position in this sector is not included in the annual report.

In addition to the content specified in the legislation;

- a) External duties of board members and executives,
- b) Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results are also not mentioned in the annual report.

In addition, 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.

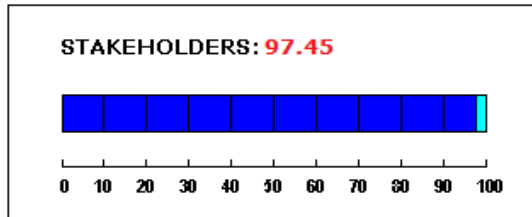
### **2.3. External Audit:**

The external audit of the Company is conducted by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers (PwC) group with a worldwide experience.

There has not been a situation where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion.

Company officials declared that; there has been no legal conflict between the Company 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 and no consulting company and/or its employees 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.
+	There is a written succession planning for possible changes in administrative tasks.
+	An employee compensation policy is established and disclosed to the public through the web site.
+	Social responsibility, environmental awareness and sustainability studies are satisfactory.

### 3.1. Company Policy Regarding Stakeholders:

We have not come across a significant or repetitive situation in which the rights of stakeholders established by any law or agreement are not recognized.

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

ÜNSPED has established a compensation policy and disclosed it to the public via the corporate web site.

Company' purchasing process is realized taking into account the Supplier Policy and Supplier Selection Criteria which is disclosed to the public on the web site.

### 3.2. Stakeholders' Participation in the Company Management:

Although there are no provisions in the articles of association or in internal regulations on the participation of stakeholders in Company's management, the 'ÜNSPED policy booklet' permits the employees to offer suggestions to the management and/or submit claims.

### 3.3. Company Policy on Human Resources:

The Company has a detailed human resources policy which is publicly disclosed. Basic principles of this policy are as follows; ÜNSPED acts in line with the total quality philosophy in the customs service and is based on the principle of 'customer satisfaction' in human resources management. The Company's human resources mission is to be a company that is respected and preferred by employees as a result of the development opportunities it provides.

ÜNSPED's human resources objectives are to create a safe and healthy work environment that respects to environment; ensure the continuity of labor peace by establishing social relations; planning and managing the speeding of development in corporate integrity; encourage taking initiative and creativity; improving the satisfaction and motivation of employees and enhance their faithfulness to the Company; improve the personal developments and qualifications of the employees and adapt those according to the changes in and around ÜNSPED.

The Company ensures that candidates are placed in positions appropriate to

their qualifications by questioning their knowledge, skills and competence in their recruitment. The newly recruited employees are provided with comprehensive e-orientation training on the Company's history, organization, departments, products, values and business practices.

Every year, ÜNSPED organizes events such as theater, travel and new-year parties to bring together all the employees and their families. The Company provides commuting service to all employees.

In this context, the principle of providing equal opportunities to candidates in equal conditions in recruitment is adopted while creating recruitment and career planning policies. The criteria for recruitment are defined in writing.

In addition, in cases which management reshuffle could cause disruptions, a documented succession planning for determination of new manager appointments is in place.

There is no active trade union at ÜNSPED.

### **3.4. Relations with Customers and Suppliers:**

The Company has taken all necessary precautions to attain customer satisfaction in the sale and marketing of its services.

In this context, within the Integrated Quality Management System; ISO 9001 Quality Management System, ISO 14001 Environment Management System, ISO 10002 Customer Satisfaction Management System and OHSAS 18001 Occupational Health and Safety Management System are applied. ÜNSPED is also the holder of ISO 27001 Information Security Management Certificate.

The effects of significant events occurring in the world on customs procedures, changes in customs practices of countries where customers import and export and any change in Turkey's customs legislation are shared with customers in order to achieve customer satisfaction.

The Company has established an advanced request/complaint mechanism to receive customer demands and complaints. They can convey their requests and complaints through the corporate web site and the 444 99 81 hot line.

In addition, customer information and documents are stored electronically.

### **3.5. Ethical Rules & Social Responsibility:**

The ethical rules of the Company is established and disclosed to shareholders and employees.

ÜNSPED has implemented many projects in the field of social responsibility. Some of the projects implemented in 2018-2019 are as follows;

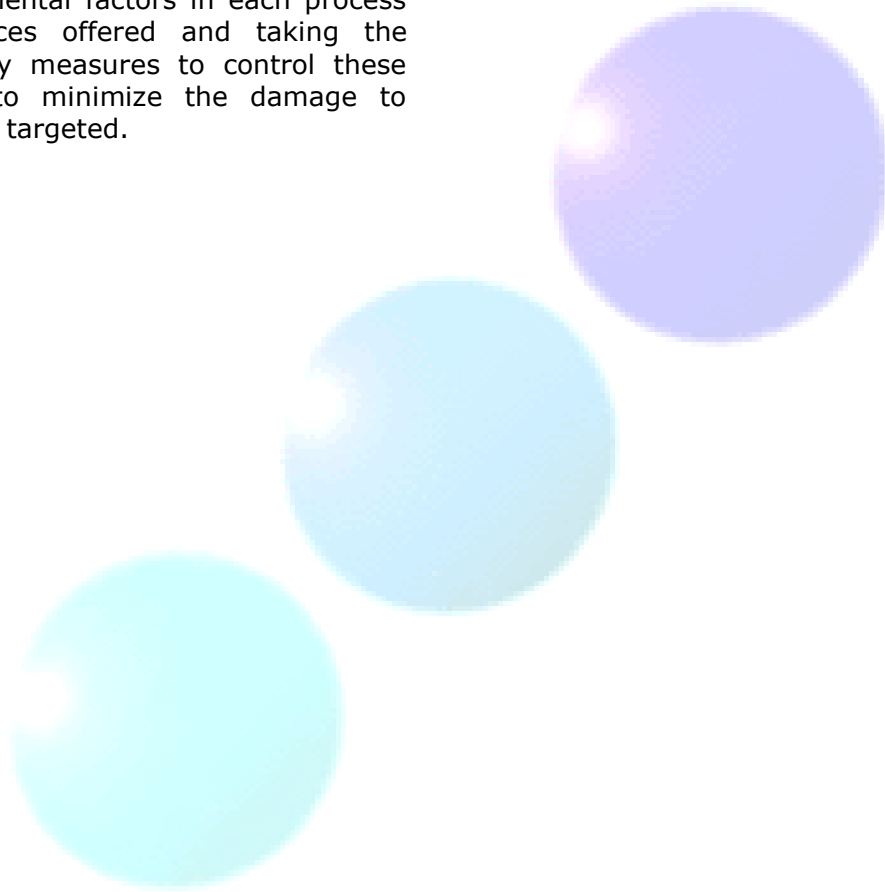
- With the project "Hold a Hand", 120 children who are in urgent need have been provided with jackets and boats at Arpaçsakarlar Primary School located in Toroslar, Mersin province.
- Within the scope of the "Empathy for Disabled Achievement" project, a session was held with the participation of disabled athletes with a place in competitions throughout the world and awareness was raised for disabled individuals in society.
- ÜNSPED provides food and treatment aids to stray animals

abandoned to the rural area in Kurtköy two days a week.

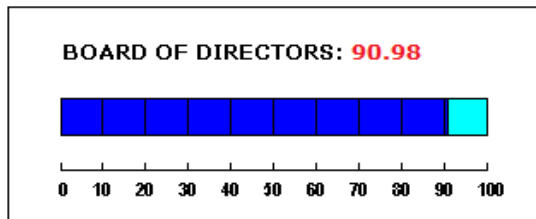
- It also organizes plastic cover collection campaigns for the battery-operated wheelchair.

### **3.6. Sustainability:**

ÜNSPED offer its services within the scope of the ISO 14001 Environmental Management System. Identification of environmental factors in each process of services offered and taking the necessary measures to control these factors to minimize the damage to nature is targeted.



## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The Company's vision, mission and strategic goals are defined.
+	Audit, Early Detection of Risk and Corporate Governance Committees are established.
+	3 female members on the board.
+	Duties of the Chairman of the Board and the General Manager are separated by an internal directive.
=	1 independent board member.
-	Thus, members of the Audit Committee could not be elected among independent board members.

#### 4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage ÜNSPED'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 Company. It is thought that the board administers and represents the Company within these parameters.

The board of directors has set the mission of ÜNSPED and disclosed to public as "to provide services which are fast, competitive and fulfill the needs of our customers within the laws and regulations." and the vision as "with the new operational methods that we developed, we aim to become

a Customs Brokerage company that has created widespread organization structure all around the world with quality and innovative services".

In addition, the board of directors has defined the Company's strategic goals and identified the needs in human and financial resources. At the same time it controls management's performance.

#### 4.2. Principles of Activity of the Board of Directors:

It is believed that the 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 and information systems processes. The board reviews the effectiveness of risk management and internal control systems at least once a year.

Chairman and chief executive officer/general manager duties are carried out by different people. Besides, the division of duties is explained by an internal regulation.

#### 4.3. Structure of the Board of Directors:

ÜNSPED's Board of Directors is composed of 7 members and majority of them (5) are executive.

There is one independent member on the board. ÜNSPED has adopted the Capital Markets Board's advisory target of minimum 25% female board



membership rate with 3 female members on the board.

Ministry of Customs and Trade's Regulation on the Amendment of the Customs Regulation is published in the Official Gazette No. 29601 on January 22, 2016. According to this regulation, individuals other than customs brokers and broker assistants may not enter into partnership with corporate entities which will offer customs brokerage services and neither can serve on their governing bodies. Besides, individuals other than customs brokers and broker assistants cannot represent a company and cannot be given binding authority. Consequently, ÜNSPED is obliged to compose a Board of Directors from a very constricted pool of candidates. It is evident that same difficulties will surface in search of independent candidates.

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

Board meetings take place with sufficient frequency. The board of directors convened 62 times in 2018 operating period with a high participation rate.

The agenda for the meeting is set by the Chairman of the Board of Directors, announced to the members prior to the meeting and if needed, before the meeting, members are provided with information and documents about the issues listed on the agenda.

Members can participate to board of directors meetings via a remote access system. The conduct of the board of directors meetings is included in the articles of association of the Company. Accordingly; the board of directors may convene if majority of its members are present and may reach a resolution with majority vote of the present members. Each member is entitled to a single vote on the board.

There are no certain rules or limitations for board members taking on additional duties outside the group. However, there are no such board members.

#### **4.5. Committees Established Within the Board of Directors:**

A Corporate Governance Committee, an Audit Committee and an Early Detection of Risk Committee are established from within the board of directors.

In addition to the minimum number of committees set forth in the Corporate Governance Principles Communiqué, a Transparency and Ethics Committee is also operating within the board of directors.

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

The Committee chairs are elected from among the members of the board of directors. However, CMB's communiqué on determination of all Audit Committee members among the independent board members could not be adopted.

The Corporate Governance Committee is composed of 3, and Audit and Early Detection of Risk Committees are composed of 6 members each. Majority of the Committee members are elected among executive board members.

The chairman of the board of directors and the general manager are not assigned to the Committees.

As outlined in working principles of the Committees and in line with the CMB principles, all necessary resources and support needed to fulfill the tasks of the Committees are provided by the board of directors and Committees can

invite any manager as they deem necessary to their meetings and obtain their views.

All activities of the Committees are documented and records are maintained.

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.

A Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Company, 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 towards relations with shareholders.

Duties of the Nomination and Remuneration Committees are included in the working principles of the Corporate Governance Committee in line with the communiqué.

The minutes of the Corporate Governance Committee regarding the works carried out within the scope of compliance with the CMB Corporate Governance Principles were presented to us.

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

The overall assessment of the board of directors on whether the operational and financial targets are met is included in the annual report.

A remuneration policy that regulates the remuneration principles for board members and senior executives has been prepared and disclosed to the public via the corporate web site.

There is professional liability insurance on compensation for losses incurred by the Company, and third parties, as a result of not performing the board members' and executives' duties duly.

The orientation process for newly appointed managers is indicated in the Company's internal regulations.

We are convinced that the executives are equipped with sufficient authority and have the required professional qualifications in order to perform the assigned duties.

There has been no cases where the executives used confidential and non-public Company information in favor of themselves or others.

There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage.

## Rating Definitions

Rating	Definition
9 - 10	The company performs <b>very good</b> 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 <b>good</b> 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 <b>fair</b> 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 <b>weakly</b> 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 <b>very weakly</b> 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.

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