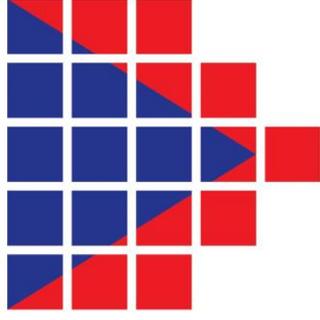


Türkiye
Kurumsal
Yönetim
Derneği
Corporate
Governance
Association
of Turkey



CORPORATE GOVERNANCE ASSOCIATION OF TURKEY

GLOBAL COMPACT NETWORK

COMMUNICATION ON ENGAGEMENT (COE)

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ABOUT THE CORPORATE GOVERNANCE ASSOCIATION OF TURKEY

Found in 2003, Corporate Governance Association of Turkey (TKYD) is a non-profit organization which aims to develop, and promote adherence to corporate governance standards and guidelines in Turkey. With over 700 board members and senior executives under its roof, TKYD helps shape the future implementation of corporate governance practices in Turkey and the region as well of informing the public to keep abreast of changes in aforementioned practices.

Ranging from publicly-held organizations to family owned companies, from the state-owned enterprises to civil society organizations, from sports clubs to economic journalism bodies, conformance with corporate governance principles is gaining greater importance as the primary tool and the basic principle of a fair, transparent, accountable and responsible environment for today's global business world.

TKYD is developing and executing regional projects with international organizations like World Bank, International Finance Corporation (IFC), Organization for Economic Cooperation and Development (OECD) and Center for International Private Enterprise (CIPE).

For further information:

<http://www.tkyd.org/en/default.asp>

Statement of Support

We, as a non-profit organization aiming to promote adherence to corporate governance standards and guidelines, are proud to commit to the ten principles of the UN Global Compact, and are always willing to spread them to our members as said principles are explicitly in line with the principles of Corporate Governance.

This Communication of Progress report covers our activities during the year 2015 which further articulate our continuous support to UN Global Compact.

While setting the goals for the coming terms, we are maintaining the current achievements, improving the strategies and expanding our impact to the business societies to meet the standards of good Corporate Governance as well as the principles of UN Global Compact.

Sincerely yours,

Güray Karacar
Secretary General

Introduction

This Communication on Progress (COP) Report is the fourth report since The Corporate Governance Association of Turkey (TKYD) became a signatory party of The United Nations Global Compact (UNGC) in June 2006.

The Corporate Governance principles of fairness, transparency, accountability and responsibility are mirroring the Ten Principles of UNGC in the areas of human rights, labor, environment and anti-corruption. Therefore, as we continue to promote the implementation of Corporate Governance principles in Turkey and the region, not only we have always been observing the Ten Principles of UNGC in our activities but also encouraging our members and stakeholders to integrate these principles into their business activities.

This fourth report covering the year of 2015, provides a grand picture of our efforts and accomplishments to meet the principles of UNGC. On the following pages, we re-articulate our long-held commitments, elaborate our activities held in and maintained until 2016, and state our goals to continue complying with UNGC principles by doing our work in the field of Corporate Governance.

In 2015, TKYD organized international summit, seminars, trainings, working group meetings attended by significant numbers of Turkish and international audiences, as well as publishing guidelines for the practical implementation of Corporate Governance principles. TKYD also partners with universities in arranging panels to allow participants from the academic circle to contribute their experience in the Corporate Governance field. Moreover, five important working groups operate to create the content for TKYD's events/projects while also helping shape the public's opinion of TKYD. These five working groups are: Family Business Working Group, Civil Society Organizations Working Group, Capital Markets Working Group, Integrated Reporting Working Group and Board of Directors Working Group.

Family Business Working Group

Family Business Working Group aims to promote and establish global corporate governance principals among Turkish family businesses in order to maintain a sustainable and competitive environment. Since its establishment, (2005) Family Business Working Group organized 42 seminars and training activities which were held in different Anatolian cities. In 2015 TKYD operated a special project under the name of '*Anatolia Seminars*' with the co-operation of Ethics and Reputation Society (TEİD), Turkish Enterprise and Business Confederation (TÜRKONFED), Istanbul Stock Exchange, Investment, International Finance Corporation (IFC). Moreover, Family Business Working Group continued to improve TKYD's relations with international organizations such as Center for International Private Enterprise (CIPE), International Finance Corporation (IFC) United Nations Development Programme (UNDP). In 2015, TKYD has started two important international projects with Center for International Private Enterprise (CIPE) and International Finance Corporation (IFC).

Civil Society Working Group

TKYD's Civil Society Working Group the '*Civil Society Organizations Management Project*'. This project started right after '[Governance Guide for Non-Governmental Organizations In The Light of Corporate Governance Principles](#)' was published in 2014. The project aims to create a corporate government rating for non-governmental organizations as well as charitable foundations. A guideline will be published at the end of this project. Civil Society Organizations Working Group continues its activities by focusing on foundations and associations that hold a civil society status in Turkey.

Capital Markets Working Group

The main objective of TKYD's Capital Markets Working Group is to observe the arrangements made in the capital markets and to support the realization of best practices in a common understanding. Capital Markets Working Group organizes meetings, seminars and training sessions in order to contribute to the development of professionals. With the help of those meetings Working Group brings together regulatory institutions and active principal organizations in the market to share their experiences. TKYD continues to develop new projects and cooperation to provide awards for companies that promote corporate governance practices on the behalf of investors.

Board of Directors Working Group

Board of Directors Working Group has a critical role on the implementation and the supervision of corporate governance. Thus, the Corporate Governance Association of Turkey, through the Board of Directors Working Group, contributes to that process through its activities, training programs and seminars.

To raise awareness about the position of the Board Secretary who is responsible for controlling the compatibility of company organs and compliance with the laws and internal documents of the company is another primary aim of the working group. Board Secretary has a crucial impact on the process of developing the fields of corporate governance activities, especially with the new Turkish law. Therefore, the working group also attempts to organize various panels, seminars and training programs by inviting instructors specialized in this area.

Under the main theme of '*The Board of Director Series*', Board of Directors Working Group aims to prepare reports and directory publications between 2015 and 2016. First of this project's publication was realized in 14th January 2016 which is named '[Independent Board Member of Salary Survey Report](#)'. During 2016 there will be 2 more publications released in accordance with the project's outcomes.

HUMAN RIGHTS PRINCIPLES

Principle 1: Business should support and respect the protection of internationally proclaimed human rights

Principle 2: Business should make that they are not complicit in human rights abuses

Our commitment

We explicitly support and respect the implementation of human rights principles in our activities as well as in our members' and stakeholders' activities.

TKYD has established its Code of Conduct in 2013 which covers the human rights principles in our own workplace. Since then we have continued to encourage our members and stakeholders to adopt the same attitudes while promoting the Corporate Governance principles. The code of conduct can be considered a tool of corporate governance because it identifies corporate responsibilities towards stakeholders and obliges top managers to comply with certain guidelines when exercising their authority, both inside and outside the company. The Corporate Governance principles require the firms to always refer their guiding framework in their activities. By doing this, the firms may avoid any possible violations to human rights principles.

Current Status of Implementation

TKYD is committed to the ideals of a violence-free workplace. Acts or threats of physical violence, including intimidation, harassment, and/or coercion, that involve or affect the company or that occur in the workplace will not be tolerated.

TKYD cares about the well-being of its employees. For the health and safety of all employees, the annual workplace inspections are performed to ensure that the rooms and office equipments meet the highest ergonomic standards. Should any employee ever have a concern or special needs, TKYD promises to take action to meet their requirements.

In 2015, TKYD has partnered with KOBIRATE rating agency to receive its own corporate governance rating and to see its own shortcomings concerning relevant policies and procedures. As the result, TKYD published its Corporate Social Responsibility Policy on its website with the approval of the General Assembly.

TKYD guarantees its members and stakeholders uphold the same standards as TKYD's stance on human rights issues when it comes to staff, work environment, work ethics and quality of life through benefits and other employee programs through the continuing educations to its members by encouraging them to attend TKYD's working group meetings and integrating ideals under the umbrella of different seminar, panel and/or training titles. This includes a yearly International Corporate Governance Summit which has been organized since 2008 as the first international platform in Turkey on Corporate Governance.

The 8th Summit was held on January 14, 2015 in Istanbul, and included 700 national and foreign participants among its audience. TKYD also simultaneously hosted the 5th Corporate Governance Awards Ceremony during the Corporate Governance Summit.

In addition, TKYD continued to provide its regular training programs for its members and stakeholders, under four specific working group during 2015 (Family Business Working Group, Civil Society Organizations Working Group, Capital Markets Working Group and Board of Directors Working Group) The participants vary from bottom to top hierarchal levels which also help improve TKYD's influence within Turkish companies. The trainings cover a number of important issues including the applicable laws and codes of conduct in doing business based on Corporate Governance principles.

Goals

Our goal is to continue preserving our stance against human rights abuses and raising awareness about this principle among our members, stakeholders, and the general business society in Turkey and the region.

Our employees are asked to give feedback, raise complaints and issues, and share ideas for improvement. We actively support a culture of trust and organizational learning.

LABOUR PRINCIPLES

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: Business should uphold the elimination of all forms of forced and compulsory labor

Principle 5: Business should uphold the effective abolition of child labor

Principle 6: Business should uphold the elimination of discrimination in respect of employment and occupation

Our commitment

We openly support the protection of labor rights. We are committed to ensure that we as a representative of civil society, support all of our employees as respected individuals, and uphold their rights in every way. We are committed to providing our employees with an open, friendly, and non-discriminatory working environment. We are against all elements of oppression and all kinds of coercive factors for our staff. We support and develop the potential of our employees through trainings and motivational meetings.

We also support an active discussion on corporate governance principles which is related to labor right issues. Good governance systems aspire to integrate different levels of minority shareholder protections, stakeholder rights, and labor representation on the board. TKYD provides a place for these discussions to occur, while always promoting the underlying values of the organization and the UNGC.

Current Status of Implementation

TKYD aims to prevent all kinds of discrimination during the recruitment process and during employment. We provide equal opportunity without regard to race, skin color, gender, age, disability, nation of origin and marital status.

TKYD cares about the well-being of its employees. Our common understanding of quality and performance for our members and the way we all work together is reflected in an atmosphere of equality, respect and openness. The organization continuously aims to create a better work-life balance for our employees – male and female alike. Staff is able to work from home when needed, and they can manage their working time on project basis. We also provide the support for all of our employees' personal development.

TKYD absolutely does not condone the employment of child labor. All staff is provided with employment contracts following the government legislations regarding minimum age requirement for work.

TKYD activities are coherent with UNGC principles on labor in the same way they are with human rights – they are integrated into the founding principles of corporate governance that TKYD supports.

In 2015, TKYD has partnered with KOBIRATE rating agency to receive its own corporate governance rating and to see its own shortcomings concerning relevant policies and procedures. As the result, TKYD published its Corporate Social Responsibility Policy on its website with the approval of the General Assembly.

To expand our impact, in 2015, we went to three provinces which are Antalya, Konya and Mersin to organize seminars and panels, in accordance with 'Anatolian Seminars' project which is supported by Ethics and Reputation Society (TEİD), Turkish Enterprise and Business Confederation (TÜRKONFED) and International Finance Corporation (IFC). During those seminars, TKYD published and shared with the participants "*Corporate Governance Perception Survey*" which is prepared specifically for each province ([Antalya](#), [Konya](#) and [Mersin](#)) with StratejiCo's co-operation.

TKYD also shares the spirit of Good Corporate Governance with the academic environment and young generations by collaborating with universities. During the year of 2015, TKYD arranged panels in several reputable universities such as Okan University and Istanbul Aydın University with part of universities' students. In March 2015, TKYD arranged a "*Institutionalization and Management Models*" seminar with Finance Community in Okan University. Then in April, with Istanbul Aydın University's cooperation TKYD arranged a "*The Future of the Turkish Football Industry and Corporate Management*" seminar. During the seminar Chairman of the Board of Trustees of Istanbul Aydın University Mustafa Aydın and Former Minister of State Yüksel Yalova delivered a keynote speech at the beginning of the seminar.

Furthermore, TKYD aims to develop mechanisms to promote dialogue tools between researchers and practitioners through its Academic Council. Our Academic Council provides scientific support and expertise on TKYD's field missions. During 2014 and 2015, TKYD's Academic Council was formed from 6 academicians who were experts in their fields and came from different prestigious academic institutions including WHU-Otto Beisheim School of Management. To encourage corporate best practices and to design and implement research suggestions we started an '*Academic Research Support Program*' which is implemented by our Academic Council.

Two out of ten exemplary proposed projects were selected for the program. '*Strategic Usage of Voluntary Disclosure of Corporate Governance Rating*' by Birgül Arslan and Uğur Çelikyurt, and '*Disadvantage of Mandatory Corporate Governance Implementations: Turkey Case Analysis*' by Dr. Yasemin Karabrahimoğlu, Dr. Halit Gönenç and Dr. Serdar Özkan. 4000 USD will be provided for the study of each project.

In May 2016, researchers will submit their first draft and the results of the studies will be disclosed in January 2017 during the 10th. Corporate Governance Summit. Outcomes of the research projects shall be shared with national regulatory organizations as well as to TKYD's international partners such as OECD, International Finance Corporation (IFC), Center for International Corporate Governance Network (CIPE) and European Union.

Besides the academic studies, we promote good governance model for all our members and private sector professionals through training programs and seminars. TKYD's training programs are designed based on the high demand from our corporate and/or individual members. Our training allows Turkish professionals to get easy access to the most up-to-date information available nationally and globally in order to improve their skills and knowledge which are very useful for their career paths. In 2015, TKYD's training topics are concentrated on family businesses and Board of Directors.

In relevance to family business principles, TKYD has arranged "*Board of Directors Membership Program for Family Businesses*" training in İzmir between 18-19 September 2015 with Association of Family Businesses (TAİDER) and Aegean Young Businessmen's Association (EGİAD) to discuss and explain the needs of family businesses. Series of family business trainings continued on Istanbul too. Family Office, Estate Planning and Wealth Management Training and Family Business Workshop was held in Istanbul.

Furthermore, following the corporate governance seminars and workshops, TKYD has also published guidance books based on its experience gained during the previous seminars for easy references which can be accessed by all employees of TKYD's members and stakeholders. In 2015, 3 printed corporate governance magazines, 1 digital total being 4 magazines published and delivered to TKYD members.

Goals

It is our ambition to further live up to internationally accepted labor standards and build the diversity of our employees. We would like to maintain or even increase the number of participants in our organizations coming from varieties of backgrounds.

We work to find solutions that satisfy men and women alike – whether it's a temporary reduction in working hours or the option to work from home.

ENVIRONMENT PRINCIPLES

Principle 7: Business should support a precautionary approach to environmental challenges

Principle 8: Business should undertake initiatives to promote greater environmental responsibility

Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies

Our commitment

We are committed in protecting the environment and promoting greater environmental awareness. We are conscious of our responsibility to conserve resources and continuously look for ways to use resources more efficiently to reduce the environmental burden of waste generation and emissions into the air, water and land.

We are committed to share these values to our members and stakeholders through our activities like we do in the other areas of principles.

Current Status of Implementation

TKYD is fully aware of the awaiting dangers for the environment and mitigates the negative impact on the environment. TKYD itself seeks to minimize its energy consumption, uses recycled paper and other products when possible, ink and toner, and provides for the public transportation of its staff.

Through our conferences, publications, and trainings and working group programs TKYD has promoted the sustainable business practices as it is the ultimate goal of the implementation of Corporate Governance principles. As Turkey's regulations continue to improve in terms of business practice and environmental protections, TKYD is positioned to provide expert advice and training to businesses in need of harmonizing their operations. TKYD promotes corporate governance and reporting standards that are more explicitly encompass the environment by embedding the concepts of Corporate Social Responsibility and the Triple Bottom Line.

TKYD supports international organizations' activities which are organized in Turkey and related to enables greater organizational transparency and accountability like "*Global Reporting Initiative (GRI)*" and "*Sustainability Platform*" under the leadership of The Stock Exchange of Istanbul and IFC.

In 2015, TKYD has partnered with KOBIRATE rating agency to receive its own corporate governance rating and to see its own shortcomings concerning relevant policies and procedures. As the result, TKYD published its Corporate Social Responsibility on its website with the approval of the General Assembly.

In 2015 TKYD and IFC launched an important project together which is called 'Corporate Governance Advisory Services'. Project aims to create a corporate governance assessment report for selected several companies who are operating in Turkey. This report is a comprehensive analysis of the corporate governance policies and practices of the Company (based on the review of relevant key documents of the Company by IFC/TKYD experts and interviews with key representatives of the Company to be held on an individual basis in Istanbul, Turkey) containing tailored recommendations for improvements in such policies and practices.

IFC and TKYD will analyze the state of corporate governance of companies and will provide a set of recommendations which, if implemented, would improve the companies governance practices in line with the best international practices (as adjusted, of course, to local regulatory and legal requirements).

This assessment aims to establish the effective corporate governance practices that would ensure a continued sustainable and successful business, and which would assist companies in meeting the challenges and seizing the benefits of the rapidly changing and developing business environment of Turkey and other countries. The Project will be ongoing from March 2016 to May 2016.

Goals

We will continuously promote the energy efficiency, waste avoidance and recycling within our working place and share this good practices to our members and stakeholders as a part of Corporate Governance implementation.

We will support the implementation and the wide application of new technologies that are environmentally friendly.

ANTI-CORRUPTION PRINCIPLES

Principle 10:

Businesses should work against corruption in all its forms, including extortion and bribery.

Our commitment

We are committed to work with a clear conscience and speaking out against any and every form of unethical behavior including the corruption, extortion and bribery practices.

We are committed to share our anti-corruption values to our members and stakeholders while promoting the transparency principle as one of the key principles in the implementation of Corporate Governance.

Current Status of Implementation

TKYD executes all kind of records related to financial and fiscal transactions in accordance with the relevant laws with a transparent and accountable financial management. The

subscriptions are accepted through determined procedures. At the end of every financial year TKYD shares its internal audit report, independent audit report, supervisory boards report and financial statements on the website. In addition, the annual reports are published in every year.

Corporate Governance principles remark a clear understanding of ethical behavior against the corruptions particularly through the transparency principle. As TKYD promotes corporate governance through its training programs, seminars, and working groups, it also provides executives and directors the tools to run their firms transparently, in harmonization with international accounting standards.

In 2015, TKYD has partnered with KOBIRATE rating agency to receive its own corporate governance rating and to see its own shortcomings concerning relevant policies and procedures. As the result, TKYD published its Ethics and Information Policies on its website with the approval of the General Assembly.

TKYD is also actively engaged with other companies and nongovernmental organizations in the fight against corruption. TKYD supports international organizations' activities which are organized in Turkey and related to enables greater organizational transparency and accountability like GRI (Global Reporting Initiative), International Integrated Reporting Council (IIRC) and Center for International Private Enterprise (CIPE).

In order to take a solid step for this cause, TKYD will engage in a project with Center for International Private Enterprise (CIPE) and Turkish Ethics and Reputation Society (TEID) which is named '*Strengthening Democracy through Private Sector Collective Action to Combat Corruption in Turkey*'. Main goal of this project is to build a coalition of diverse private sector stakeholders and address the supply-side of corruption through an anti-corruption collective action initiative.

TKYD will leverage its experiences as well as access to a range of new and unique contextualized training materials on anti-corruption compliance to train local partners throughout the country and establish a common platform to ensure a standardized, collective anti-corruption and business ethics compliance by Turkey's private sector with project partners.

As one of the main outputs of this program, TKYD will help local Turkish partners draft a consensus based document that outlines a set of international standard codes of conduct and anti-corruption measures for private sector enterprises and business to adapt and abide by on a voluntary basis in a future project.

Furthermore, TKYD's Training Programs are based on Capital Markets Board Communiqués and Laws, Corporate Governance and reporting mechanisms in Turkey. All of those systems are intended to eliminate as much as possible the corruption practices in the companies. Some topics of the trainings which closely related to Anti-Corruption issues are: Strategic Governance and Planning, General Assembly Processes, Board Membership Training, The Turkish Commercial Law, Responsibilities of Publicly-Held Companies, etc.



Goals

We will organize more events that aim to raise awareness on the importance of doing business with integrity in Turkey and also regional countries. We will continue to provide all kinds of support to companies and NGOs at the national and international level for organizing seminars, conferences and training programs.