



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



17 January 2019

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Rating and Executive Summary

HALK SİGORTA ANONİM ŞİRKETİ

 SAHA
Corporate Governance Rating:

9.05
Priv.



MAIN SECTIONS: **Avg. 90.51**

Shareholders: 95.01



Public Disclosure & Transparency: 93.41



Stakeholders: 88.32



Board of Directors: 86.17



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of Halk Sigorta Anonim Şirketi's ("the Company") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Company. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Halk Sigorta's previous Corporate Governance Rating of 9.02 dated January 17, 2018, is hereby revised up to **9.05**. The Company's corporate governance rating has shaped up as above in consideration with the importance given by Halk Sigorta to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

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.. Halk Sigorta 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>.

Halk Sigorta is rated with **9.50** 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. There is no upper limit or privileges on voting rights. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a consistent dividend policy of the Company and it is disclosed to the public. Also a policy on donations and grants has been established. There are no restrictions on transfer of shares. On the other hand, the rate of minority rights in the Company's articles of association is adopted as is prescribed for public joint stock companies (%5).

Halk Sigorta attained **9.34** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site which includes all information listed in the Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are made via all communications channels and are in accordance with the CMB and Borsa Istanbul (BIST) rules and regulations. The annual report is also comprehensive and informative. There is no ultimate controlling individual shareholder within the shareholding structure of the Company. Benefits provided to board members and senior management is mentioned collectively in the annual report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, Halk Sigorta scored **8.83**. 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. Halk Sigorta has an effective and comprehensive human resources policy. Besides, the code of ethics and the compensation policy is publicly available through the corporate web site. Developing models or mechanisms to support the participation of stakeholders in the management of the Company is endeavored. However, the Company is not involved in any activity in line with the environmental laws and environmental responsibility awareness in general.

From the perspective of the principles regarding the **Board of Directors**, Halk Sigorta's tally is **8.62**. There is a well communicated Company mission and vision, and the board fulfills all duties regarding Company needs. Chairman of the board of directors and the general manager (CEO) is not the same person. The board consists of seven members of which one member is executive. Since Halk Sigorta is not a public company, she is under no obligation to appoint independent board members. Each board member is entitled to a single vote. There is one female member on the board of directors. A Corporate Governance Committee, an Audit Committee, a Committee for Early Determination of Risks and a Remuneration Committee are established within the board of directors. The working principles of the Committees are disclosed to the public. Our observations will continue in order to have a more precise view of their activities and their degree of functionality. Principles of remuneration of board members and senior executives are available on the corporate web site. Losses that may be incurred by the Company as a result of not performing the executives' duties duly are insured. Remuneration of board members and executives with administrative responsibility as well as benefits provided are mentioned collectively in the annual report. Principles dictate reporting on an individual basis.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the 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.18).

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

Shareholders: **25%**
Public Disclosure and Transparency: **25%**
Stakeholders: **15%**
Board of Directors: **35%**

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

Company Overview

Halk Sigorta Anonim Şirketi	
	Chairman of the Board of Directors Osman Arslan General Manager Bülent Karan
Halide Edip Adivar Mah. Darülaceze Cad. No: 23 Şişli-İSTANBUL	Accounting Director Gülenay Karartı Tel: (0212) 314 73 28 gulenay.kararti@halksigorta.com.tr

Halk Sigorta was founded on 1958 under the leadership of Türkiye Halk Bankası A.Ş. as the first and only cooperative company in the field of insurance with the participation of Merchants and Craftsmen Guarantee Cooperatives and approximately 50 merchants and craftsmen.

The Company carries out its activities according to the Insurance Law No. 5684 and official declarations concerning the law in question. The Company operates in branches such as fire and natural disasters, transportation, accident, land vehicles, air vehicles, marine vehicles, general losses, land vehicles liability, financial losses, general liability, illness-health, fidelity, rail vehicles, air vehicles liability, marine vehicles liability, loan and legal protection.

Halk Sigorta generated TL 1,480 million in total premiums in 2017, up by 42.96% year-on. The Company had 3.73% market share among non-life insurance companies.

In the breakdown of the Company's asset allocation, Land Vehicles Liability takes the top rank with 55.50%, followed by Fire and Natural Disasters with 16.77% and Land Vehicles with 8.52%.

Halk Sigorta operates across Turkey with 8 regional directorates, two of which are in Istanbul. The Company had 240 employees on its payroll as of December 31, 2017.

In line with the resolution passed at the Extraordinary General Shareholders' Meeting held in 2011, it was decided that Halk Sigorta A.Ş. be traded on the market and platform to be determined by Borsa Istanbul (BIST) in 2012 within the frame of the provision of Article 11(3) of the Capital Market Law, and the Company began to be traded on the BIST Free Trade Platform (FTP) as of May 28, 2012.

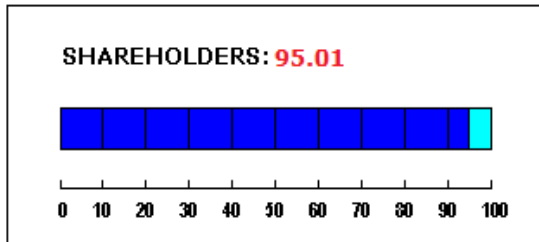
The Registered Capital ceiling of the Company is TL 500,000,000 and the paid-in capital is TL 280,000,000. The latest capital structure is as follows.

Capital Structure		
Shareholder	Share Value (TL)	Share %
Türkiye Halk Bankası A.Ş.	249,704,629.56	89.18
Halk Yatırım Menkul Değerler A.Ş.	17,195,005.86	6.14
Other	13,100,364.58	4.68
TOTAL	280,000,000.00	100.00

The Board of Directors of Halk Sigorta is composed as follows:

Board of Directors	
Name	Title
Osman Arslan	Chairman of the Board
Sadık Tiltak	Vice-chairman
Yusuf Duran Ocak	Board Member Corporate Governance Committee Member Remuneration Committee Member
Hüseyin Zeybek	Board Member Audit Committee Member Early Detection of Risks Committee Member Remuneration Committee Member
Hakan Başaran	Board Member Corporate Governance Committee Member Audit Committee Member Early Detection of Risks Committee Member
Süheyla Gülgün Koyuncuoğlu	Board Member
Bülent Karan	Board Member General Manager

SECTION 1: SHAREHOLDERS



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

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

Relations with shareholders at Halk Sigorta are managed by the Accounting Director Ms. Gülenay KARARTI reporting to the Assistant General Manager of Financial Management, Mr. Suat İNAN.

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

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

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

1.2. Shareholders' Right to Obtain and Evaluate Information:

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

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

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

1.3 Minority Rights:

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted exactly the rate foreseen in the legislation for listed companies.

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

1.4. General Shareholders' Meeting:

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on May the 2nd, 2018 is performed through all means of communication available to the Company on April 5th, 2018 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the annual report, financial statements and reports, and all other related documents pertaining to the agenda

items along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Company, and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site:

- a. The total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, that there are no privileged share groups within the Company capital.
- b. Information on changes in management and activities of the Company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the Company operations.
- c. Grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Company and its related parties, whether they are independent or not, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were

given equal opportunity to voice their opinions and ask questions.

Members of the board of directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and representatives of the external audit company were present to give necessary information and to answer questions at the general shareholders' meeting.

The Company has established a policy on donations and grants, submitted to the attention of the general shareholders' meeting and disclosed it to public on its corporate web site. Shareholders are informed, with a separate agenda item, that no donation was effectuated during the reporting period.

On the other hand, it has been observed that the information document on the agenda items of the general shareholders' meeting has not been prepared.

Also a clause on participation of stakeholders and media to the general shareholders' meetings with no voting rights is not included in the articles of association.

1.5. Voting Rights:

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

1.6. Dividend Rights:

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

Halk Sigorta's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the Company. The dividend distribution proposal contained all necessary information.

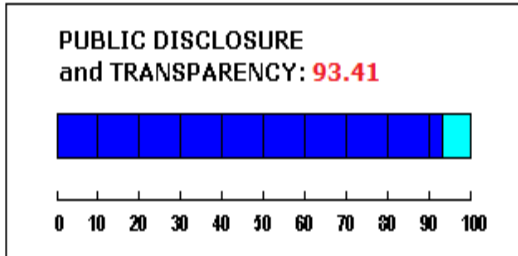
There are no privileges on partake of the profits.

The articles of association contain no provision on advance dividend payments.

1.7. Transfer of Shares:

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

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive Disclosure Policy, disclosed to public on the corporate web site
+	Comprehensive web site, actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	No ultimate controlling shareholder with a share higher than 5% within the shareholding structure
+	Remuneration policy established and disclosed to public on the corporate web site
+	Dividend distribution policy disclosed to public via the corporate web site
=	English version of the web site for international investors
=	Benefits provided to board members and senior executives are not mentioned on individual basis in the annual report

2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the corporate web site includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's articles of association, publicly disclosed material information, periodical financial statements, annual reports, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, frequently asked questions, and responses thereof.

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

The Company's web site also includes; working principles of the Committees (except the Remuneration Committee), the vision/mission of the Company established by the board, information on dividend payments and capital increases for the last 5 years, news, information on senior management, financial data, main ratio analyses, corporate web site disclaimer, terms of use and privacy policy, and the human resources policy.

The information on the web site has been prepared in English for the benefit of international investors, but the content differs in Turkish.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the Company and it covers information such as;

- a. Period covered by the report, the title of the Company, trade register number, contact information,
- b. The names of the chairman and members served on the board and the committees during the covered period,
- c. The sectors in which the Company operates and information on its position in these sectors,
- d. Qualifications of the Company's units, general explanations related to their activities and performances, and yearly developments,
- e. Progress on investments, the eligibility status on incentives,
- f. Corporate Governance Principles Compliance Report,
- g. Information on related party transactions,
- h. Other issues not included in the financial statements, but are beneficial for users,
- i. Company's organization, capital and ownership structure,
- j. Explanations on privileged shares,
- k. The dividend distribution policy,
- l. Basic ratios on the financial position, profitability and solvency,
- m. Company's financing resources and risk management policies,
- n. Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the content specified in the legislation, the following also took place in the annual report:

- a. External duties of board members and executives,
- b. Members of the Committees within the board, meeting frequency and working principles of the Committees,
- c. The number of board meetings held during the year and attendance status of the members,
- d. Changes in legislation which could significantly affect the Company's operations,
- e. Major court cases against the Company and possible consequences,
- f. Information on the fact that there is no cross shareholding in excess of 5% of the capital.

On the other hand, benefits provided to board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis.

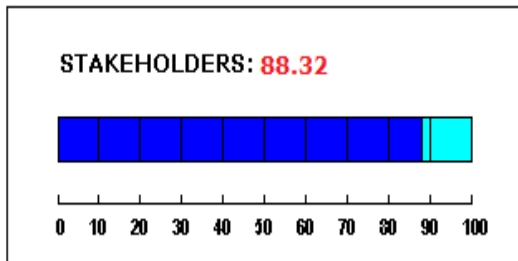
2.3. External Audit:

The external audit of the Company is conducted by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte).

It has been 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. No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources policy
+	Stakeholders' views are taken on important decisions
+	Code of ethics disclosed to the public
+	An Employee Compensation Policy is established
=	There are models to support the participation of stakeholders in Company management, but they are not included in the articles of association
-	No studies on environmental laws and in general, environmental awareness

3.1. Company Policy Regarding Stakeholders:

Halk Sigorta recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Company protects the interest of stakeholders under good faith principles and within the capabilities of the Company.

Effective and expeditious compensation is provided in case of violation of the rights.

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

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

The Company has established a documented compensation policy and disclosed to the public on the corporate web site.

3.2. Stakeholders' Participation in the Company Management:

Mechanisms and models that support the participation of stakeholders, in particular the employees, in the Company's management are partially implemented, but are not included in the articles of association of the Company.

3.3. Company Policy on Human Resources:

Halk Sigorta has a documented human resources policy.

Job definitions, distribution of tasks and performance criteria are determined by the Company management and announced to employees.

The principle of providing equal opportunities to candidates in equal conditions in recruitment is adopted, recruitment criteria are documented on titular basis, and they are adhered to.

In decisions as to training, appointment and promotion, in addition to the existing objective data, the Company's utmost interests are also taken into consideration.

Training plans are formulated aimed at developing the knowledge and skills of employees.

Safe working environment and conditions are provided for employees, and studies are conducted to improve these conditions in line with social and technological requirements.

Decisions taken about the employees and developments concerning them are shared with the employees.

No discrimination of race, religion, language and sex is allowed among the employees, and respect is shown to human rights. Employees are protected against any internal physical and emotional mobbing acts.

There have been no complaints of discrimination against Company employees.

There is no established succession planning to appoint new executives in cases where changes in administrative tasks of the Company's management cause disruption.

3.4. Relations with Customers and Suppliers:

Halk Sigorta has taken all necessary precautions to attain customer satisfaction in the sales and market of its products and services.

Customer demands on goods and services purchased are rapidly met and customers are informed on delays before the deadline.

The Company complies with quality standards of products and services and strives to maintain these standards.

Care is taken on the confidentiality of information about customers and suppliers within the framework of protection of trade secrets.

The Company offers call center services to its customers.

3.5. Ethical Rules & Social Responsibility:

The ethical rules of Halk Sigorta is publicly disclosed on the corporate web site.

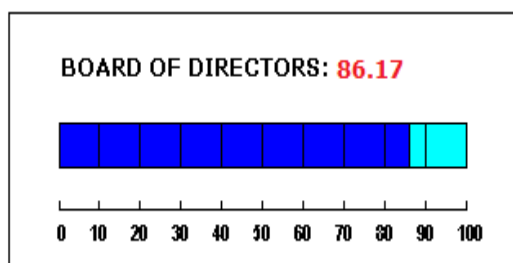
The Company expends maximum effort to be sensitive to its social responsibilities in its operations. It complies with all regulations regarding the environment, consumers and public health, as well as ethical rules, and directs and supports its subsidiaries to behave in the same manner.

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

3.6. Sustainability:

The Company has no policy on environment, nature or recycling.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The Company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
+	Chairman of the board and general manager is not the same person
+	Each board member has a right to a single vote
+	The conduct of the board of directors meetings is defined in internal regulations and meeting and decision quorums have been included in the articles of association
+	Audit, Corporate Governance, Early Detection of Risks and Remuneration Committees are established
=	Any potential losses incurred by the Company and third parties as a result of misconduct by executives are insured
=	One female board member
-	No policy established, no target or timing set for a minimum 25% female board membership rate
-	Remuneration and benefits provided to board members and to managers with administrative responsibility is not explained on individual basis

4.1. Functions of the Board of Directors:

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

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

4.2. Principles of Activity of the Board of Directors:

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report. The board of directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the Committees. In this context, the board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report. There is no individual in the Company who has unlimited authority to take decisions on his/her own.

The board of directors plays a leading role in maintaining effective communication between the Company and the shareholders and settling any disputes which may arise.

Defects and damages that may be caused by the board members during the execution of their duties have been insured.

4.3. Structure of the Board of Directors:

Halk Sigorta's board of directors is composed of seven members and only one of them is executive. The Company is under no obligation to appoint an independent member to the board since it is not a public company. However, since one member is serving as independent member on the board of the parent company, Halk Bankasi, and his independence criteria is approved by the CMB, we as SAHA consider this member as independent. But there is no declaration of independence of this member.

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

There is one female member on the board. The Company has not yet prepared a policy nor set a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female board membership rate.

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

Board meetings take place with sufficient frequency. The board of directors convened 33 times in 2017. Members allocate sufficient time for all of the Company's business and show care to participate in every meeting.

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

Each board member is entitled to a single vote.

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

There are no certain rules or limitations for board members taking on additional duties as executives and/or board members outside the Company.

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

4.5. Committees Established Within the Board of Directors:

A Corporate Governance Committee, an Audit Committee, an Early Detection of Risks Committee and a Remuneration Committee are established from within the board of directors in order to fulfill its duties and responsibilities duly.

Functions of the Committees, their working principles, and members are designated by the board of directors

and disclosed to public on the corporate web site.

Committees are composed of two members each, but none of them are independent board members. Thus their chairmen are not selected among independent members. Neither the general manager nor the executive members are on the committees.

It has been declared by the Company that 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.

We need further observations to ensure that the Committees, especially the Corporate Governance Committee, who have undertaken the duties of the Nomination Committee, are able to have a sound opinion on whether they have fulfilled the duties outlined in the working principles publicly disclosed on the Company's web site and to evaluate the effectiveness level of the committees.

The selection process of the external audit firm was not carried out by the Audit Committee and the decision was taken within the board of directors.

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

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

Halk Sigorta does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties. The executives comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There 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.

Losses that may be incurred by the Company as a result of not performing the board members' and executives' duties duly are insured.

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

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

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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