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CGS Center *Worldwide*

Quarterly Newsletter

Istanbul Stock Exchange (ISE) hosted Responsible Investment Event

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The “Principles for Responsible Investment Turkey Workshop,” co-organized by the United Nations-backed Principles for Responsible Investment (PRI); The Federation of Euro-Asian Stock Exchanges and the Istanbul Stock Exchange was held at the Istanbul Stock Exchange (ISE) on 21 January 2010, Thursday. The workshop was organized to consider, an opportunity for Turkish investors to join the United Nations-backed responsible investment network representing almost US \$ 20 trillion of

assets under management.

In his opening address, Hüseyin Erkan, Chairman and CEO of the ISE and President of FEAS said; “At the Istanbul Stock Exchange, we highly value the ESG issues as critical component of contemporary business practices. With this in mind, we work closely with the local and the international business community to encourage discussion, research and implementation of

environmental, social and governance issues. We are proud to be cooperating with UNPRI as one of its signatories and also hosting this meeting in Istanbul. I am sure this partnership with UNPRI will be mutually beneficial in not only creating awareness of the ESG concepts, but also for fostering investors’ understanding of these key issues.”

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ISE Emerging Companies Market

Studies are underway in Istanbul Stock Exchange (ISE) to establish the ISE Emerging Companies Market (ECM) in order to create a transparent and organized floor where companies with a devel-

opment and growth potential can issue securities to secure funding from the capital markets. It is planned that the stocks of those companies that have been registered with Capital Markets Board

of Turkey (CMB) but have not satisfied the whole set of listing requirements of Istanbul Stock Exchange are traded on the ECM. It is essential that the application for

ISE Emerging Companies Market Continue



admission to ECM Directory should relate to shares to be issued as a result of capital increase or capital increase through private placement, restricting the pre-emptive rights of existing shareholders partially or fully.

A market advisor mechanism will be created within ECM so that companies with a development and growth potential are informed about the capital market legislation and the Exchange legislation and do not face any difficulty in complying with the legislation requirements so long as their securities are traded. It is planned that the market advisor will provide advisory services to:

- assist the company to complete preparations necessary for the ap-

plication for admission to ECM Directory **prior to the admission** of the company shares to ECM Directory and approve, jointly with the company to be



listed, the accuracy of the information and documents conveyed to

the Exchange and disclosed to the public.

- prepare and approve the documents, statements and reports to be submitted to the Exchange **during the application** for admission of company shares to ECM Directory;
- assure compliance of the Company to CMB and ISE regulations **after the admission** of company shares to ECM Directory.

Preparations are ongoing to apply the single price and market making continuous auction method in ECM unlike the continuous auction method currently applicable in ISE Stock Market.

ECM is expected to be an intermediate market for enterprises that have a growth potential and seek to supply funding with low cost. It is targeted that the companies to be traded on ECM will be traded on the ISE Stock Markets as they satisfy certain criteria in line with the development they will exhibit in time.

The technical and regulatory preparations relating to the launching of ECM are ongoing.

“ECM is expected to be an intermediate market for enterprises that have a growth potential and seek to supply funding with low cost”

Some Facts

- ♦ In Turkey, there are 322 listed companies at the ISE. On the other hand there are more than 500.000 limited liability companies and more than 100.000 joint stock companies. ISE emerging companies market will encourage and promote listings in the ISE.
- ♦ The draft commercial law brings groundbreaking changes in the corporate governance practices of the non-listed companies in addition to the listed ones. In the forthcoming issues of our newsletter, information about these changes will be delivered.



News from East Asia

On January 19, 2010, Asian Corporate Governance Association (ACGA) launched a new policy document on India. Titled the "ACGA White Paper on Corporate Governance in India", the paper makes a series of recommendations for reform in five key areas:

shareholder meetings and voting; related-party transactions; preferential warrants; corporate disclosure; and the auditing profession. ACGA believes these reforms are necessary to strengthen the long-term competitiveness of India's capital markets and the accountability of its

You can reach the full article, White Paper, from ACGA web site. (<http://www.acga-asia.org/>)



"the paper makes a series of recommendations for reform in five key areas: shareholder meetings and voting; related-party transactions; preferential warrants; ..."

What is up in the Middle East: Can the Gulf embrace sound corporate governance?

The article published in Economist magazine discussed the corporate governance practices in the GCC region. Referring to the research done by Dubai-based Hawkamah corporate governance institute and the Washington-based International Finance Corporation the article said, the research, found that, none of the publicly listed company in the

region followed best practices, and only 3% of researched firms tracked good practices. A major part of firms told they did not use better practices, because it was not necessary. **Saleh Hussain**, a Bahrain-based corporate governance adviser and Vice President of Bahrain Banking Society, says companies have lack of transparency, so it makes more difficult to make sound

investment decisions. You can reach the full article from, economist. (<http://qfc.economist.com/tabid/88/Default.aspx>)

CGS Center believes the growing number of corporate governance codes and best practices issued by the States in the region in recent years increased the awareness on good governance, and this will add the competitive advantage of the companies in the medium term if not the short run.

Corporate Governance in Financial Institutions at European Level

The report on corporate governance in financial institutions following the study at the European Commission is expected to be published at the end of the first quarter of 2010. It is expected that some areas of reform might come out to improve corporate governance

practices of the financial institutions such as mandatory board-level risk committees to manage risks. At the discussions at the European Corporate Governance Forum (ECGF) in November 2009, compensation, involvement of stakeholders, and

shareholders, risk culture of the whole financial institution, were among the several key issues to be looked at as well. Some of the members stressed that no new legislations were required, instead one should focus on sound recommendations that

would change the way managers see risk.

You can reach the minutes of the ECGF meeting from, http://ec.europa.eu/internal_market/company/docs/ecgforum/minutes-20091104_en.pdf

Corporate Governance Ratings in Turkey

The number of companies that have corporate governance ratings in Turkey reached to twenty six. Two of these are non listed factoring companies.

The ratings, over ten, of the companies for 2009 are as follows:

Company Name	Code	Rating
Doğan Yayın Holding	DYHOL	9.0
Vestel Elektronik	VESTL	8.5
Y&Y Real Estate Invest	YYGYO	8.16
Tofas	TOASO	8.24
Türk Traktör	TTRAK	8.12
Hürriyet	HURGZ	8.5
Tüpraş	TUPRS	8.34
Asya Katılım Bankası	ASYAB	7.82
Otokar	OTKAR	8.12
Şekerbank	SKBNK	8.0
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	AEFES	8.27
Yapı ve Kredi Bankası A.Ş.	YKBNK	8.44
Dentaj Ambalaj	DENTA	7.82

Vakıf Yatırım Ortaklığı	VKFYT	7.81
Coca Cola İçecek	CCOLA	8.30
Arçelik	ARCLK	8.21
TAV	TAVHL	8.5
Türkiye Sinai Kalkınma Bankası	TSKB	8.77
Doğan Şirketler Grubu Holding A.Ş.	DOHOL	8.26
Petkim	PETKM	7.71
Logo	LOGA	8.05
İş Leasing	ISFIN	8.02
Türk Prysmian	PRKAB	7.76
Türk Telekom	TTKOM	8.01
Tek Factoring	Non-listed	7.08
Lider Factoring	Non-listed	6.97

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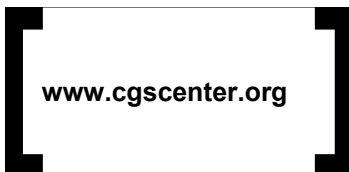
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Corporate Governance and Sustainability Center (CGS Center) is a network of eligible experts - under the leadership of Dr. Guler Manisali-Darman, an international expert in Corporate Governance - in the field of corporate governance and corporate social responsibility related services ranging from assessment to research and from raising awareness to compliance. In addition to its training and advisory services, CGS Center active in Turkey, Middle East and Eastern Europe, prepares for its members, strategic company and country assessment reports. Assistance in structured finance is also among the services we provide.



Corporate
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**CSR and
Sustainable
Development**

Dubai, UAE

7th & 8th March
2010

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marcus evans