



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating

Rating Revision



İSTANBUL AYDIN
ÜNİVERSİTESİ

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Rating Revision



İSTANBUL AYDIN ÜNİVERSİTESİ

SAHA
Corporate Governance Rating:

8.65
Univ.



MAIN SECTIONS: Avg. 86.48

**Relations with the
Institutor Foundation : 94.49**



Public Disclosure & Transparency: 83.38



Stakeholders: 91.05



**Board of Trustees, Board of
Directors and the Senate: 81.00**



0 10 20 30 40 50 60 70 80 90 100

RATING REVISION

The Corporate Governance Rating of 8.40 that has been assigned to İstanbul Aydın Üniversitesi (İAÜ) on April 10, 2018 is hereby revised as **8.65**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

The University's corporate governance rating is revised as above in consideration with the importance given by İstanbul Aydın Üniversitesi to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically, and improvements which had been initiated in this direction since the previous rating.

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.. İstanbul Aydın Üniversitesi is analyzed as a Turkish university 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>.

Main improvements that affected the above revision are:

- 1) The University has prepared a detailed Disclosure Policy and Donation Policy and made them public on its website.
- 2) The newly established Audit and Corporate Governance committees have started their activities within the university and have held two meetings in the last 6 months.

Operations of the Corporate Governance and Sustainability Application and Research Center are an important asset in this respect.

The sub-section ratings are confirmed as follows:

<i>Sub Sections</i>	<i>Weight</i>	<i>Rating</i>
Shareholders	25%	94.49
Public Disclosure and Transparency	25%	83.38
Stakeholders	15%	91.05
Board of Directors	35%	81.00
Total		86.48

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance for the "Foundation Universities" (Univ.) 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 University's governance practices in future and inclusion in the annual report and disclosure to public are positive aspects.

The university-specific Principles consist of four main sections: relations with the

institutor foundation, public disclosure and transparency, stakeholders, and the Board of Trustees/Board of Directors/Senate. However, general assemblies are not held in foundations that establish foundation universities. Furthermore, as per the law, foundation universities cannot be profit seeking institutions.

Based on these Principles, the SAHA Corporate Governance Rating methodology for Foundation Universities features around 230 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the University officials and disclosed publicly.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a university should be in full and perfect compliance with the Principles (see Rating Definitions, p.20).

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

Relations with the Institutor Foundation: **25%**
Public Disclosure and Transparency: **25%**
Stakeholders: **15%**
Board of Trustees/Board of Directors and the Senate: **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.

Rating Definitions

Rating	Definition
9 - 10	The university performs very good in terms of 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 university's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The university performs good in terms of 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.
6	The university performs fair in terms of Corporate Governance Principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. 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 university performs weakly as a result of poor corporate governance policies and practices. The university 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 university performs very weakly and its corporate governance policies and practices are overall very poor. The university 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.

DISCLAIMER

This Corporate Governance Rating Revision has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by İstanbul Aydın Üniversitesi and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2014.

This revision, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this revision and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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