



Corporate Governance Rating Report

ENKA

3 November 2017

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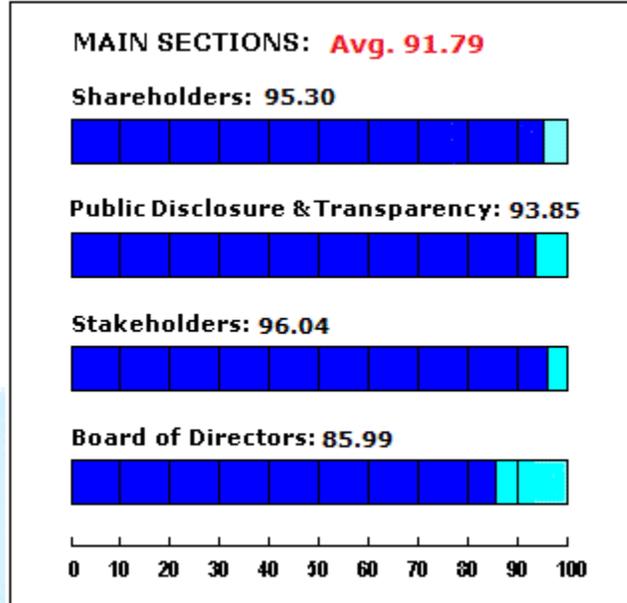
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Rating and Executive Summary

ENKA İNŞAAT VE SANAYİ A.Ş.

 SAHA
Corporate Governance Rating:

9.18



EXECUTIVE SUMMARY

This report on rating of ENKA İnşaat ve Sanayi A.Ş.'s (ENKA) 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".

ENKA is rated with **9.18** as a result of the Corporate Governance study done by SAHA. The Company's corporate governance rating is revised as above in consideration with the importance given by ENKA to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements which had been initiated in this direction.

Additionally, ENKA takes place in the World Corporate Governance Index (WCGI) published by SAHA on July 21, 2017. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com>.

ENKA is rated with **9.53** 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. ENKA carries out the investor relations obligations through Investor Relations Management. There is no upper limit 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. There are no restrictions on transfer of shares. On the other hand, there are areas for improvement like adoption as it is, of the rate of minority rights in the Company's articles of association as prescribed for public joint stock companies (%5).

ENKA attained **9.38** under the **Public Disclosure and Transparency** chapter. There is a comprehensive website that 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 CMB and Borsa Istanbul (BIST) rules and regulations. In addition, the names of the Company's ultimate controlling individual shareholders and their proportion of ownership as identified after being released from indirect or cross shareholding relationships between co-owners are disclosed to the public. The website is also prepared in English for international investors. The annual report is prepared in detail to enable the public to reach full and accurate information about the activities of the Company. However, benefits provided to board members and senior management is not listed on individual basis in the annual report.

On the topic of **Stakeholders**, ENKA scored **9.60**. ENKA guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. Models have been partially developed to support the participation of stakeholders in the management of the Company, but not included in the articles of association. The Company has a written human resources policy. There is no union at ENKA. The Company complies with quality standards concerning its goods and services and takes measures to ensure these standards. Specific guarantees are provided for this purpose. ENKA has established a written compensation policy for the employees and code of ethics is publicly disclosed via the corporate website.

From the perspective of the principles regarding the **Board of Directors**, ENKA's tally is **8.60**. 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 chief executive officer is not the same person. The board of directors consists of five members, two of whom are independent. There are two executive members on the board. CMB criteria are complied with and the opinion of the Corporate Governance Committee is received in designation of the independent members. Each independent member has signed a declaration of independence. There are no female members on the board of directors. A Corporate Governance Committee, an Audit Committee, and an Early Identification of Risks Committees 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 the activities and the degree of functionality of the committees. Principles of remuneration of board members and senior executives are available on the Company's website. The Company does not provide any loans or extend any credit to the board members or senior executives

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.23).

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

ENKA İnşaat ve Sanayi A.Ş.	
	Chairman of the Board M. Sinan Tara President and Chairman of the Executive Committee A. Mehmet Tara
Balmumcu Mah., Zincirlikuyu Yolu No:10 34349, Beşiktaş, İstanbul www.enka.com	Investor Relations Unit Manager Gizem Özsoy Tel: (0212) 376 10 00 gozsoy@enka.com

ENKA İnşaat ve Sanayi A.Ş. is the parent company of ENKA Group in which a total of over 50 companies are divided into 4 different sectors; Engineering and Construction, Energy, Real Estate, and Trade and Industry.

ENKA İnşaat ve Sanayi A.Ş. was established as ENKA Limited Şirketi on 1957 by Mr. Şarik Tara and Mr. Sadi Gülçelik. During Turkey's industrial investments move in the 1960s, ENKA realized construction of factories, a variety of shipyard facilities, and infrastructure works. In 1967, the partnership was transformed into a joint stock company and its name was changed to "ENKA İnşaat ve Sanayi Anonim Şirketi." In the 1970s, ENKA shifted to more diverse projects in the scope of its business and in various geographies. The Company was reorganized and the specialized sections of ENKA İnşaat ve Sanayi A.Ş. devoted itself to the establishment of ENKA owned new subsidiary companies. In the early 1980s, with the support of its group of companies, ENKA İnşaat ve Sanayi A.Ş. greatly expanded the volume of international contracts by undertaking major projects in the Middle East and North Africa.

On June 28, 2002 ENKA İnşaat merged with ENKA Holding Yatırım Anonim Şirketi (ENKA Holding) who held a 35.39% stake in her, and in return ENKA İnşaat held a share of 3.93% as a subsidiary, by taking over of all its assets and liabilities with all rights and obligations with the obligation to acquire them without liquidation. Companies invested in by ENKA Holding, which was established on December 29, 1972 with an actual scope of investment in stock corporations were also gathered under the umbrella of ENKA İnşaat following this merger.

The Company shares are traded under "ENKAI" code at BIST National Market and ENKA is a constituent of BIST Services, BIST Construction, BIST İstanbul, BIST Corporate Governance, BIST Dividend, BIST All Shares, BIST National, BIST 100, BIST 50 and BIST 30 indices.

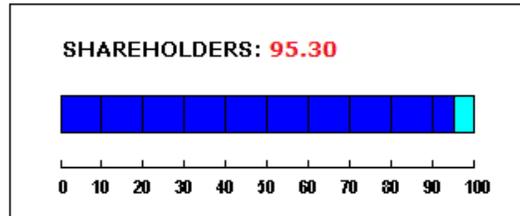
It was decided at the Ordinary General Shareholders' Meeting held on March 24, 2017 to reserve First Dividend in the amount of TL 1,184,000,000; appropriating TL 280,000,000 of this dividend reserved from the dividend advances distributed by the Board of Directors Decisions numbered 987 dated August 15, 2016 and numbered 993 dated November 9, 2016; distributing TL 504,000,000 of this dividend reserved in cash; and using TL 400,000,000 of this dividend reserved in the capital increase by bonus issue.

Capital Structure of ENKA İnşaat ve Sanayi A.Ş. as of March 24, 2017		
Shareholder	Share Amount (TL)	Share %
TARA HOLDING A.Ş.	2,075,704,691.51	49.42
VİLDAN GÜLÇELİK	335,395,487.58	7.99
SEVDA GÜLÇELİK	269,917,217.50	6.43
ENKA FOUNDATION	246,472,048.10	5.87
OTHER	758,294,283.12	18.05
PUBLIC SHARES	514,216,272.19	12.24
TOTAL	4,200,000,000.00	100.00

The board of directors of the Company is as follows:

ENKA İnşaat ve Sanayi A.Ş. Board of Directors	
Name	Title
M.Sinan Tara	Chairman
Haluk Gerçek	Vice-chairman
Erdoğan Turgut	Corporate Governance Committee Member Early Identification of Risks Committee Member
E. Melih Araz (Independent Member)	Audit Committee Chairman Corporate Governance Committee Chairman
V. Ergin İmre (Independent Member)	Early Identification of Risks Committee Chairman Audit Committee Member

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	No restrictions on transfer of shares
+	A detailed dividend distribution policy is established
+	Policy on donations and grants is established and submitted to the general shareholders' meeting for approval
=	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:

ENKA carries out the investor relations obligations through the Investor Relations Unit organized under Sinan Yavuz Aktürk, Leyla Yüksel, Ali Aslan and Gizem Özsoy and all shareholders are treated equally.

Along with other units of the Company, the "Investor Relations Management" plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review

information, and its duties are as follows;

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

Investor Relations Management submits a report to the board of directors at least once a year on its conducted activities.

Information and explanations that may affect use of shareholders' rights is available up to date on the corporate website.

In addition, the manager of the Investor Relations Unit, Ms. Gizem Özsoy, is holder of licenses as stated in the Corporate Governance Principles Communiqué.

1.2. Shareholders' Right to Obtain and Evaluate Information:

We did not come across to any hindering process or application within the rating period regarding the appointment of a special auditor at the request of shareholders.

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

The Company has established a disclosure policy and disclosed it to the public on the corporate website. However, this policy has not been included in the agenda of the general shareholders' meeting.

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 invitations to the ordinary general shareholders' meeting held on March 24, 2017 is performed through all means of communication available to the Company on March the 2nd, 2017, 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.

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

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 are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the Company, and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate website;

- a. Total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, number of shares and voting rights reflecting the privileged share group within the Company capital, and the nature of the privileges,
- b. 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 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. The chairman made sure that each question is answered directly at the meeting provided that they do not constitute a trade secret.

Authorization to be granted to board members for the execution of the transactions stated in Articles 395 and 396 of the Turkish Commercial Code has been included as a separate item in the agenda of the general shareholders' meeting.

The members of the board of directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions 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.

The articles of association of the Company do not contain a clause on attendance of those including stakeholders and media with no voting rights to the general shareholders' meetings.

General shareholders' meeting is attended by the representative of the external auditor.

1.5. Voting Rights:

There are two separate groups of shares (A & B) at the capital structure of ENKA. As per the provision of the articles of association of the Company, each Group A share has 10 voting rights. However, over time, the ratio of A Group of shares to the overall capital has shrunk to 0.00000028%. In our opinion this is not a condition that may affect voting at the general shareholders' meetings.

Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital and the Company adopted as it is the rate foreseen in the legislation.

At ENKA, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and there are no voting privileges on issues other than listed above.

1.6. Dividend Rights:

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

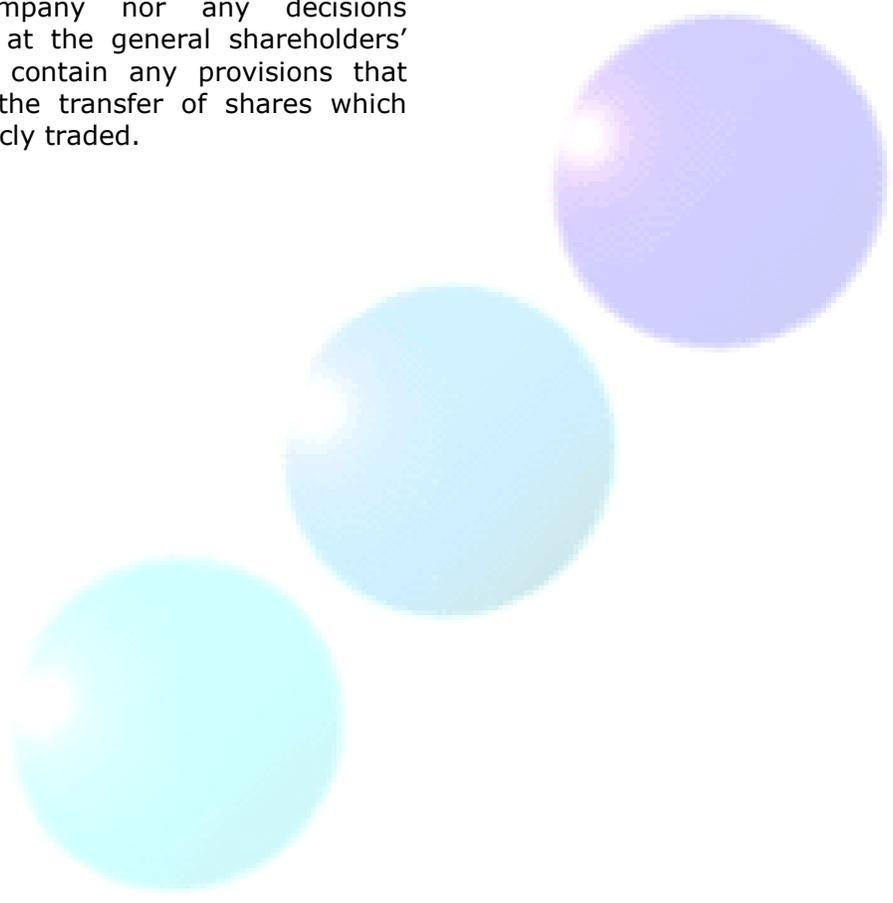
The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the Company.

In addition, the articles of association of the Company contain a provision on advance dividend payments.

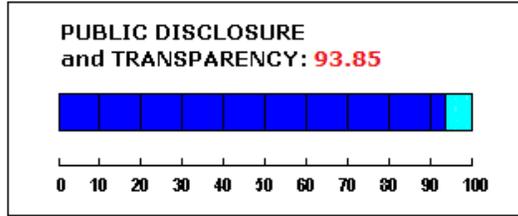
The dividend distribution proposal submitted to the general shareholders' meeting clearly specifies the source and amount of the profit to be distributed for the period, dividends per share by specifying the group distinctions, and timing and terms of dividend payments.

1.7. Transfer of Shares:

Neither the articles of association of the Company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.



SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	There is an Investor Relations Unit
+	Adequate Disclosure Policy
+	Comprehensive website, actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	English version of the website for international investors
+	List of ultimate controlling individual shareholders established and disclosed to the public
+	Dividend distribution policy disclosed to the public via corporate website
+	Employee Compensation Policy established

2.1. Corporate Website:

Company's website 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 Company's website includes; trade register information, information about latest shareholder and management structure, detailed information on privileged shares, 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, annual reports, periodical financial statements, prospectuses and circulars and other public disclosure documents, 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 including requests for information, questions and notices, and responses thereof.

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

The Company's shareholding structure; the names, amount and rate of the shares held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public along with the privileges they hold and also updated bi-annually as per the minimum requirement.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the Company also discloses financial statements on PDP (Public Disclosure Platform) and simultaneously in English.

The information contained on the website exists also in English (same with Turkish content) for the benefit of international investors.

The Company's website also includes; investor presentations, working principles of the committees, the donation policy, important board decisions under the heading of material disclosures, the vision/mission of the Company established by the board, information on capital increases, news, social responsibility activities, information on senior management, financial data, main ratio analysis, and the human resources policy.

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 and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates).
- c. The sector in which the Company operates and information on its position in the sector.
- d. Qualifications of the production units, capacity utilization rates and general explanations related to sales volume and price, sales conditions and yearly developments, productivity rates and causes of significant changes compared to previous years.
- e. Progress on investments, the eligibility status on incentives, and to what extent.
- 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 and any changes in the related accounting period.
- j. All benefits provided to staff and workers, information on number of personnel.
- k. Explanation on privileged shares and their amounts.
- l. Research and development activities.
- m. Dividend distribution policy.
- n. Basic ratios on the financial position, profitability and solvency.
- o. Company's financing resources and risk management policies.
- p. Information on major events which took place between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

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

- a. External duties of board members and executives.
- b. Members of the committees within the board, assessment of their working principles.
- c. Number of board meetings held during the year and participation 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 direct contributions to capital ratio with cross shareholding investments in excess of 5%.
- g. Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results.

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.

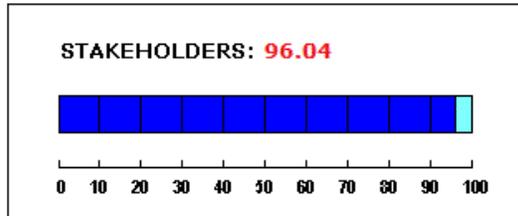
2.3. External Audit:

The external audit of the Company is conducted by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi.

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. It has been declared that there has been no legal conflict between the Company and the external audit firm.

External 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
+	Strict quality standards for goods and services
+	Stakeholders' views are taken on important decisions that give rise to the results which considers them
+	Code of ethics disclosed to the public
+	Measures are taken to ensure customer satisfaction on sale of goods/services
+	Company is socially and environmentally sensitive and respectful
=	No provision in the articles of association regarding the participation of stakeholders in the management of the Company despite the existence of certain incentive models
-	Absence of a trade union

3.1. Company Policy Regarding Stakeholders:

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

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

3.2. Stakeholders' Participation in the Company Management:

ENKA has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the Company and they are disclosed in the Corporate Governance Compliance Report. However these models and mechanisms are not included in the articles of association.

3.3. Company Policy on Human Resources:

Company has a documented human resources policy. The principles of the human resources policy of ENKA which had been determined in accordance with the strategies of the Company, common values and business ethics are as follows:

- Advance the strategic goals and interests of ENKA.
- Be responsive to the changing needs of employees, management and government related entities.

- Establish and sustain ENKA's reputation as a preferred employer.
- Maintain a workplace culture in which there is mutual trust and respect, where all employees feel valued, are listened to and are able to contribute their best efforts to achieve ENKA's mission.
- Hire the individual who is best qualified for the position. Provide an equal opportunity to all qualified candidates regardless of race, language, religion, sex, ethnical group, national origin, color or physical disabilities.
- Consider external sources after ascertaining that the open position cannot be filled by an employee of ENKA.
- Know and comply with the laws and guidelines relevant to the functions performed.
- Commit to ensuring that all employees know what is expected of them in their jobs and are helped to develop their capabilities through constructive performance evaluations, training and career planning.

As an organization committed to the effectiveness and compliance of its services with the specifications and the agreements that are contingent upon its employees, ENKA provides the necessary working environment and resources to meet their needs.

To ensure effective management of the activities by the qualified employees, 'work flexibility and enhancement' is ensured on in each stage of the organization.

The personnel of ENKA cannot disclose any confidential information obtained during their employment in the Company, in relation to the operating structure and technical matters. Unless

a legal sanction applies, the personnel can under no circumstances make any disclosure to any authority, institution or person.

The entire personnel of the Company can access the quality handbook which also includes job descriptions through the electronic media and obtain information about the relevant arrangements.

There is no trade union at ENKA.

3.4. Relations with Customers and Suppliers:

Primary and essential goal of the Company is the satisfaction of customers and suppliers. Customer satisfaction is monitored and reported on a regular basis. Within the framework of protection of trade secrets, care is also taken on the confidentiality of information about customers and suppliers.

3.5. Ethical Rules & Social Responsibility:

Also as stated on the corporate website, the employees of ENKA İnşaat ve Sanayi A.Ş.;

- Do not compromise the general and professional ethic rules.
- Act honestly, reliably and transparently and in accordance with the principles and strategies of the Company in the course of execution of their tasks.
- Pay utmost attention to behave honestly toward the employer, government, dealers (suppliers), shareholders, and subcontractors and treat quality as a priority in each and every work they perform.
- Do not only fulfill ENKA's contractual obligations but also have a constructive attitude towards ENKA employers, customers and partners at all times.

- Use their best endeavor to comply with all the relevant laws and regulations regarding the environment in the countries where ENKA operates.
- Make economical use of the natural sources and avoid wastefulness.
- Keep the wastes under control and minimize their adverse environmental effects.
- Fulfill the requirements of ISO 14001 Environmental Management System and provide the necessary resources.
- Constantly improve the work security and employee health applications and ensure avoidance of work accidents.

In each project it undertakes, ENKA uses its best endeavors to:

- Protect human beings and the environment.
- Complete its tasks at the highest quality standards.
- Complete each work contracted by the client before the end of the specified completion period.
- Establish long-term collaboration with clients.
- Treat client satisfaction as a priority matter.

In order to effectively fulfill its obligations towards suppliers and subcontractors as a natural part of its services, ENKA uses its best endeavors to:

- Establish long-term collaboration with reliable suppliers/subcontractors.
- Fulfill its agreement obligations towards the reliable suppliers/subcontractors who fulfill their responsibilities.

ENKA Sports Education and Social Aid Foundation is one of the leading platforms of Turkey where ENKA İnşaat ve Sanayi A.Ş. fulfills its social responsibility. The activities carried out

by ENKA Foundation throughout the year are included in the annual reports of the Company, and such information is also accessible through the website at www.enka.com.

All employees are responsible of protecting the environment and establishing the Environmental Management System, providing support and assistance in the implementation stage and of continuously developing the system. No lawsuits have been filed against the Company due to any environmental damages incurred during the reporting period.

3.6. Sustainability:

ENKA implements a comprehensive Health Safety and Environment (HSE) policy to protect all employees and associates working at its offices, construction sites and related facilities. This policy includes protection against any pollution, danger and accident that may arise due to the nature of the work conducted. HSE Management System is based on the standards of ISO 14001:2004 Environment Management System and OHSAS 18001 Occupational Health and Safety Management System.

It is clearly understood by all levels of the Company that HSE is a value for ENKA and the HSE Management System is implemented in 5 steps:

- Setting the HSE policy.
- Organizing.
- Planning and implementing.
- Measuring/monitoring the performance.
- Auditing and reviewing.

ENKA will always have a comprehensive HSE training program to increase awareness of safety, to teach safer working practices and to promote environmental adherence. In the ENKA Quality and HSE Manual all

the roles and responsibilities of the individuals in the Company are clearly defined to promote a positive HSE culture. ENKA addresses:

- Competence (in recruitment, training and advisory support).
- Control (by allocating responsibilities, accountabilities, securing commitment, instruction and supervision).
- Cooperation (between individuals and groups).
- Communication (spoken and written).

All managers demonstrate a clear commitment to HSE to establish and implement a discipline procedure and an award program to run the HSE management system more effectively.

Monitoring is essential to maintain and improve HSE performance. ENKA believes that proactive monitoring, which monitors the achievement of plans and the extent of compliance with standards before an accident, incident, illness or environmental leakage takes place, is a key factor in HSE performance.

Auditing and reviewing provide considerable improvements on the HSE corrective actions by managing the risks through lessons learned by past experiences. Internal and external audits are continually performed.

Health, safety and environment are, in fact, is the highest priority. ENKA recognizes and acknowledges the importance of achieving world-class performance with respect to protection of HSE on every project as an integral part of its organizational culture. All personnel are encouraged to actively engage in all the HSE programs and every conceivable effort is made to provide all the necessary training and development to enforce the project

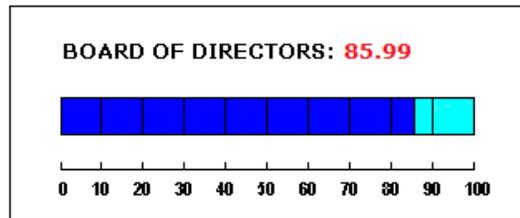
requirements to attain its "Zero Accident" policy.

A Sustainability Committee, consisting of senior executives of ENKA group of companies, has been established to manage the Company's sustainability efforts and to represent the Company on issues related to sustainability.

Following the stakeholder meetings and surveys, which were attended by a number of people, employees, suppliers, vendors, customers and non-governmental organizations, the sustainability policy and sustainability strategy document was established in line with the Company's line of business and strategic direction.

The Employee Loyalty and Satisfaction Survey aimed at measuring employees' satisfaction within the scope of the sustainability policy and determining opportunities to increase their performance has been conducted.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	Company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	Two independent members on the board
+	Audit, Corporate Governance and Early Identification of Risks Committees established
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
+	Conduct of the board meetings is specified by internal regulations and included in the articles of association
+	A remuneration policy is established and disclosed on the website
=	The level of functionality and effectiveness of the committees will be monitored further
-	No female members on the board
-	No established policy on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly.

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 various 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.

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. The board works in close coordination with the Corporate Governance Committee and the Investor Relations Unit in this context.

On the other hand, there is no regulation on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly. In addition, executive powers of the chairman of the board and chief executive officer/general manager are not clearly separated in the articles of association.

4.3. Structure of the Board of Directors:

The Company's board of directors is composed of five members and two of them are executive. Among the non-executive board members there are two independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There are no female members on the board of directors of ENKA.

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

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the chief executive officer/general manager. 14 meetings were held following the selection of the board members and until the end of the reporting period, with a participation rate of 83%.

Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member is entitled to a single vote.

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

Board members allocate necessary time for the Company's business and there are no limitations taking on additional external duties. Especially, due to the significant contribution of the professional and sectorial experiences of the independent members to the board of directors, such a restriction is not required.

4.5. Committees Established Within the Board of Directors:

A Corporate Governance Committee, an Audit Committee, and an Early Identification of Risks Committees are established from within the board of directors along with the Executive Committee in order to fulfill its duties and responsibilities.

Functions of the committees, their working principles, and its members are designated by the board of directors and disclosed to the public on the Company's website.

All members of the Audit Committee and the chairmen of all three committees are elected among the independent board members. The CEO/general manager is not on the committees. There are no executive members on the committees.

All necessary resource and support needed to fulfill the tasks of the committees are provided by the board of directors. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

With the exception of the Corporate Governance Committee, other committees' meeting frequency has been found sufficient by us.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them, notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the Company and the external auditor notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

Audit committee members possess the qualifications mentioned in the Corporate Governance Principles communiqué.

The annual report does not contain any information on working principles of the Audit Committee, number of

written notices given to the board of directors in the fiscal year and meeting resolutions.

The external audit of the Company is conducted by Akis Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş. 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.

The Corporate Governance Committee is established in order to determine whether or not 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 imperfect implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the shareholder relations unit.

Manager of the Investor Relations Unit, Ms. Gizem Özsoy, is a member of the Corporate Governance Committee.

Early Identification of Risks Committee reviews risk management systems at least once a year. However, in order to assess the degree of efficiency and functionality of this committee, there are more observations needed to be able to have a more precise view whether the committee can achieve early identification of risks that may jeopardize the Company's existence and continued development, whether it can implement the necessary measures identified with the associated risks, and whether it performs any studies to manage such risks.

The Corporate Governance Committee carries out the duties of the Nomination Committee and Remuneration Committee, since they are not established yet. It has made its proposal on suitable candidates for the board of directors, on creation of a transparent system of evaluation and training, on determination of the relevant policies and strategies, and their remuneration principles.

However, we need further observation to assess the degree of efficiency and functionality of the committee; whether it has made its proposal on suitable candidates for the board of directors, on creation of a transparent system of evaluation and training, on determination of the relevant policies and strategies, and their remuneration principles, particularly with regard to its reviews on the structure and efficiency of the board of directors. Also, whether the committee submits its recommendations to the board members on changes that can be done on these matters; whether it ensures that a system with regards to the principles and practices regarding career planning and rewarding of the board members is implemented; and by taking into account the degree of achievement of the criteria, whether it makes proposals to the board on remuneration of the board members and senior executives will need to be monitored further.

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

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 website. Stock options or performance based payments are not

included in the remuneration package of the independent board members.

The Company 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.

Orientation process for newly appointed managers is documented in the Human Resources Policy.

Remuneration of the executives is based on market conditions and determined according to their qualifications, and proportional to their contributions to the performance of the Company.

There has been no case 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.

However, 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.

In addition, there is no regulation on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly.

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 on the highest level.
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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