



Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

**WORLD
CORPORATE
GOVERNANCE
INDEX**



SAHA RATING UPDATED THE WORLD CORPORATE GOVERNANCE INDEX

SAHA Rating revised the World Corporate Governance Index (WCGI) for 2019. As a result of this study, the grades and classifications of countries incorporated in this Index have been determined. The Index consists of countries which obtained a grade of 60 and higher out of 100. Following the examination of a total of 150 countries, they have been divided to 5 main groups; with Group 1 representing the highest scorers and Group 5 the lowest. Henceforth, during the corporate governance rating process of the companies, SAHA will also declare the index group in which the company's country belongs to.

PURPOSE

With this initiative, the purpose of SAHA is to compare the corporate governance infrastructures and practices in 150 countries around the world, so that the business persons and investors can be provided with an opinion. In addition, one of the main objectives of SAHA Rating is to ensure comparability of the corporate governance rating grades assigned to companies. As world trade increased exponentially in recent years, so did the number of countries to trade with and to invest. The level of corporate governance compliance of a company worked with or which has been invested into, is directly proportional to the country's corporate governance infrastructure. Governance of the state, traditions of conducting business and the legal infrastructure either facilitate or complicate the compliance of companies. The methods practices of corporate governance principles varies in each country and at larger geographical regions (such as Asian countries). This fact corresponds with the OECD's "one size does not fit all" principle. Some countries enforce the implementation of the principles as a legal requirement, while others retain a voluntary approach.

However, the unvaried four principles of corporate governance: Fairness, Transparency, Responsibility, and Accountability are universal and apply to all countries in the world. Implementation of these four main principles is only possible with an adequate infrastructure. Thus, comparing countries' corporate governance infrastructures and the examination of their qualifications in areas such as independent board membership or social responsibilities will provide for an objective opinion.

METHODOLOGY

SAHA has conducted a study which examined the corporate governance infrastructure and implementation of countries around the world with a comparative approach, which eventually evolved to a world corporate governance index. This study determined whether each country has a corporate governance code, and if so, an evaluation was made with respect to the content of the code, independent board membership, barring privileges, social responsibilities, and the like. Furthermore, the presence and age of stock exchanges of countries as well as the existence of a corporate governance index in the exchanges have been identified. The existence of a capital markets board and a banking supervisory authority which is an integral part of the stock exchanges, were also examined and finally, each country's status in political rights and personal freedoms were evaluated. A corruption perception index was used to measure the environment to conduct business for firms and entrepreneurs. Finally, the presence of the non-governmental organizations operating in the field of corporate governance was investigated. Eventually, each country was assigned a grade as a result of a weighted contribution of all these components where they are classified in 5 main groups according to their grades, with Group 1 representing the highest scorers and Group 5 the lowest. The first two groups gained the right to enter the index, and groups 3, 4, and 5 were excluded.

DEFINITIONS OF INDEX GROUPS

GROUP 1

This group consists of countries scoring 80 and higher in the rating system of the principles of corporate governance. Just worth noting, however, that no country received a perfect grade of 100. This year Group 1 includes 22 countries. In this group; France, Denmark, Sweden, Norway, Canada, Germany and Austria are outstanding countries with their high scores. The first group of countries have fully deserved to take part at the top of the index with their corporate governance infrastructures as well as their practices.

GROUP 2

Group 2 of the index consists of countries which obtained a grade between 60 and 80. There are 36 countries in this group. Some of the Group 2 countries do not have an authority with a sole mission of "banking regulation and supervision" and some countries do not have a "corporate governance index" or "sustainability index" in their stock exchanges. Moreover, despite possessing all of the above institution, some countries could not take part in Group 1 because of their position in the corruption perception index and their position in Freedom House's report. Group 2 consists of countries eligible to enter the index, but which needs to take further actions in terms of corporate governance. Thailand which was in Group 2 in 2018, fell to the group 3 in 2019. Meanwhile, no country could ascend from group 3 to group 2 in 2019.

WORLD CORPORATE GOVERNANCE INDEX (WCGI) GROUPS

The 22 Countries Which Take Part in WCGI Group 1 with a Grade Above 80:

Australia
Austria
Belgium
Canada
Denmark
Estonia
Finland
France
Germany
Hungary
Iceland
Japan
Korea
Latvia
Luxembourg
Norway
Peru
Sweden
Switzerland
Turkey
United Kingdom
United States

36 Countries Which Take Part in WCGI Group 2 with a Grade Between 60-80:

Argentina
Bosnia and Herzegovina
Brazil
Bulgaria
Chile

China
Colombia
Costa Rica
Cyprus
Egypt
Georgia
Greece
Honduras
India
Israel
Italy
Lebanon
Malaysia
Malta
Mauritius
Mexico
Morocco
Netherlands
New Zealand
Philippines
Portugal
Qatar
Saudi Arabia
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Taiwan Province of China
Tunisia
Ukraine

HIGHLIGHTS FROM THE 2019 REPORT

This year, we have researched 150 countries in our 'World Corporate Governance Index 2019 study.

Group1 includes 22 countries

Group2 includes 36 countries

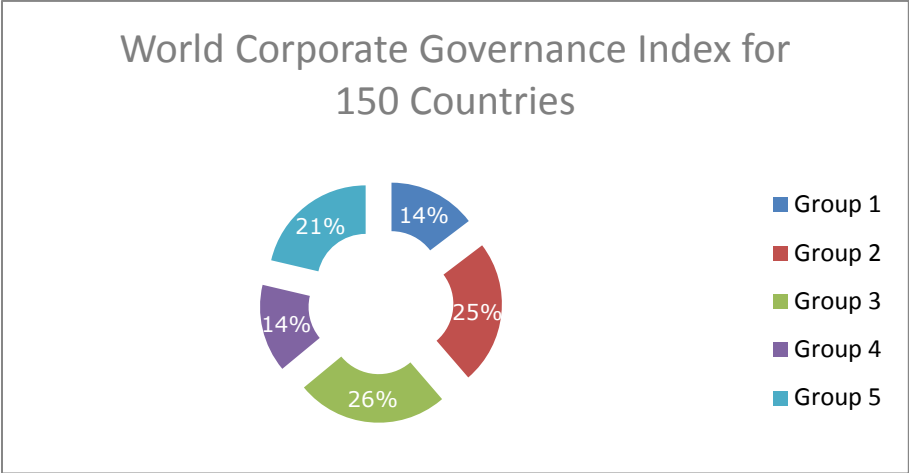
Group3 includes 38 countries

Group4 includes 22 countries

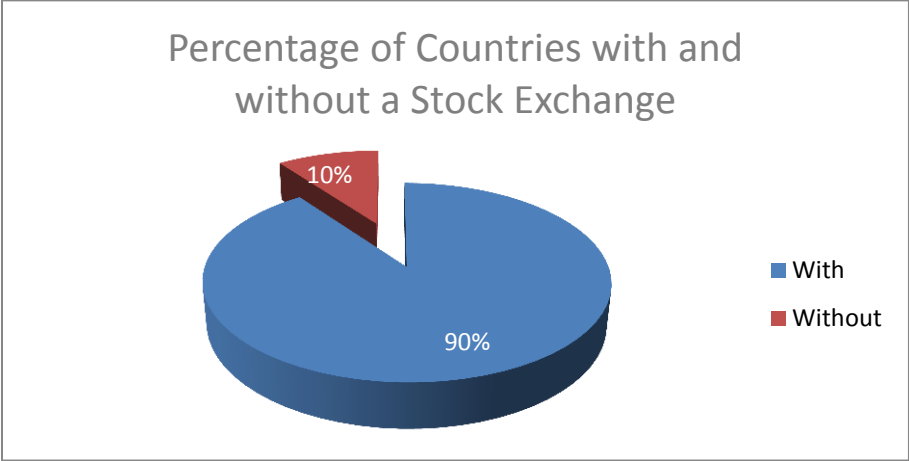
Group5 includes 32 countries.

The least number of countries are in Group 1 and Group 4, highest number of countries are in Group 2 and Group 3.

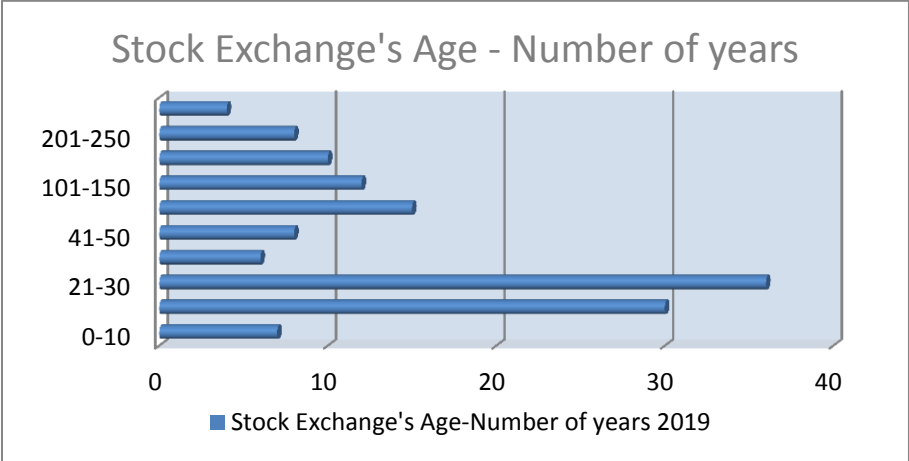
Distribution of Countries in World Corporate Governance Index Groups:



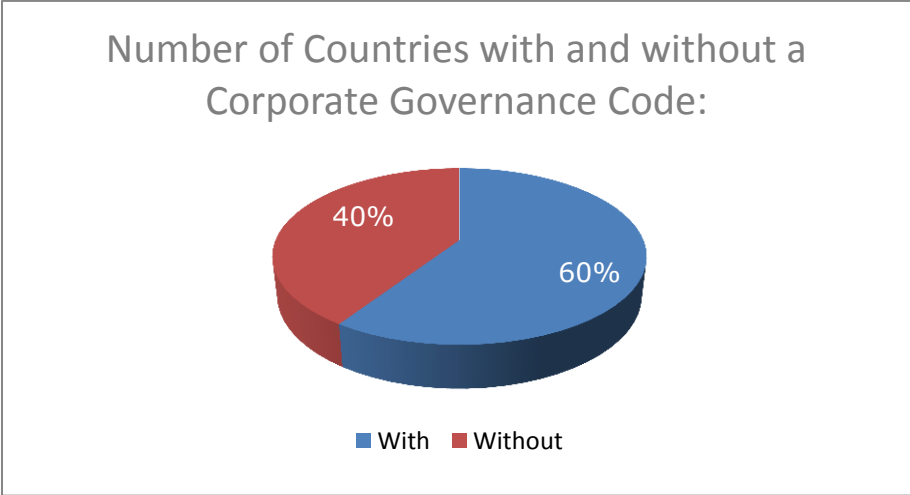
Percentage of Countries with and without a Stock Exchange:



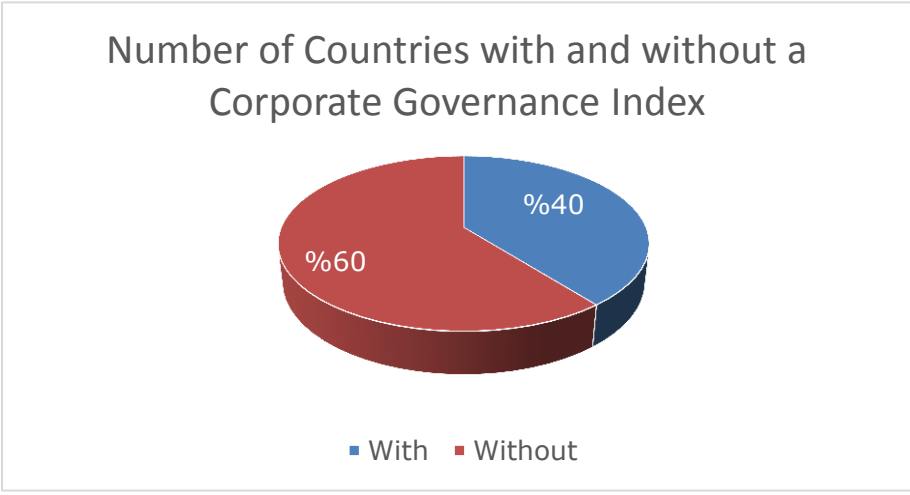
Stock Exchange's Age Distribution:



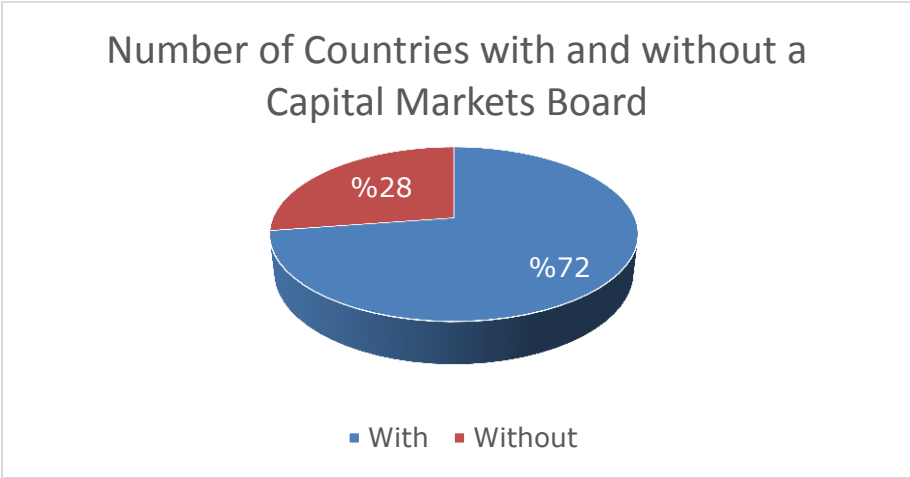
Number of Countries with and without a Corporate Governance Code:



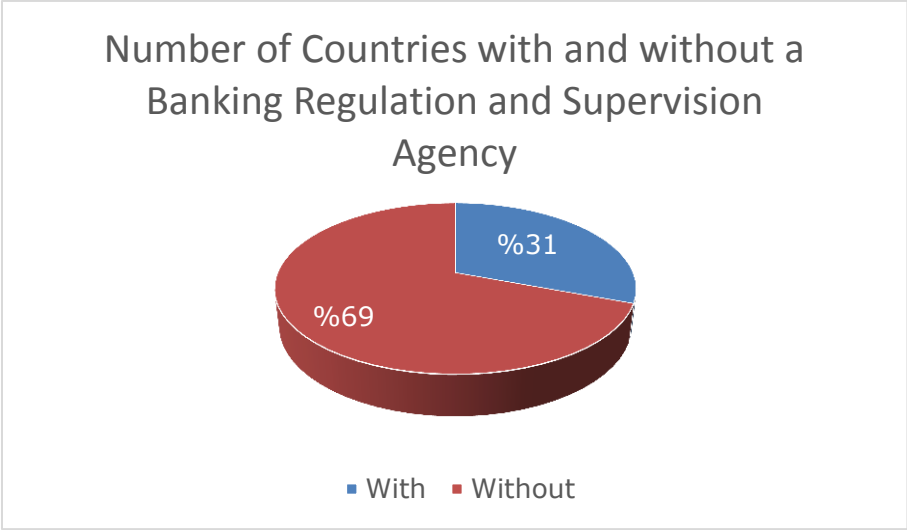
Number of Countries with and without a Corporate Governance Index:



Number of Countries with and without a Capital Markets Board:



Number of Countries with and without a Banking Regulation and Supervision Agency:



Freedom House Status Distribution:

