

CORPORATE GOVERNANCE COMPLIANCE REPORT

1. SECTION I – PRINCIPLES OF CORPORATE GOVERNANCE COMPLIANCE REPORT

Regulation of Foundation Higher Education Institutions published in the Official Gazette dated 31.12.2005 and numbered 26040 and Istanbul Aydın University established as subject to the Law of Higher Education Institutions numbered 2547 evaluate working with the basic principles of Corporate Governance as an important starting point in order to comply with the Principles of Corporate Governance within the scope of Corporate Governance Notification numbered II-17.1 published in the Official Gazette dated 03.01.2014 and numbered 28871. Although full compliance with the obligatory and non-obligatory Principles of Corporate Governance contained in the Notification is aimed at, full compliance has not yet been achieved because of the reasons such as difficulties arising from different legislations in practice in some of the principles, ongoing assessments on compliance with certain principles both in our country and internationally, incompatibility of the some principles with the legal regulations and the current structures of universities. The works on the aforementioned Principles of Corporate Governance is continuing; it is planned to implement the principles after completing the administrative, legal, operational and technical infrastructure studies to contribute to the effective management of the university. The following is a representation of the works envisaged to be carried out in our university within the framework of the Principles of Corporate Governance and the principles the university has not adapted yet and the conflicts of interest arising from this situation if there is any.

The works in the field of Corporate Governance in the period of 2016 – 2017 have been reviewed within the framework of the legislative arrangements that contain the regulations related to the principles of corporate governance of CMB. In addition, the corporate website of our university and the Activity Report will be reviewed and the necessary revisions for compliance with the principles will be approached in the period of 2017-2018. In the forthcoming period, the necessary studies will be performed considering the developments and practices in the legislation for compliance with the principles.

Principles of Corporate Governance evaluated as a dynamic process for sustainability of institutionalization and development of universities also have an increasing importance for our university due to the fact that Corporate Governance is an important practice for companies, universities and all institutions and organizations. Our university plans to adopt corporate governance as a university culture and continue our corporate governance practices with a sense of sustainability by continuing the necessary arrangements through making improvements in the matters to be adapted in the principles of corporate governance in the direction of developing conditions.

Adaptation from Principles of Corporate Governance to obligatory or non-obligatory principles has not yet been fully completed under legislative regulations regarding universities and academic legislation. Detailed information on the subject can be found in the relevant sections below. There is no conflict of interest that our university has been undergone because of the inability to fully comply with the principles.

Our university adopts a sustainable management approach by extending the understanding of Corporate Governance as a corporate culture in the direction of adopting the Principles of Corporate Governance on a voluntary basis. In this direction, if there is a significant change in the statements

made in the subsequent period, the relevant amendment will be included in the 2017-2018 Activity Report.

Below, we present Corporate Governance Compliance Report, which is academically a first among universities, to declare our willingness to carry out these studies as a continuous and dynamic process in order to achieve our corporate goals that guide the future of our institution in the light of the principles of fairness, responsibility, accountability and transparency, which are the basic principles of Sustainability and Corporate Governance.

2. SECTION II – RELATIONSHIP WITH THE FOUNDER FOUNDATION

There is an informative mechanism within the scope of legislation to which our university is subject and the procedures and regulations formed regarding the internal operations of our university and it is essential that any information and explanations that may affect the use of the Foundation's rights and the relationship with the Founding Foundation are included in the corporate website. In this respect, the flow of information within the framework of legislation and related practices has been maintained with utmost effort during the period, and no circumstances have prevented the use of the rights of the Founding Foundation.

Provisions subject to Regulation of Foundation Higher Education Institutions published in the Official Gazette dated 31.12.2005 and numbered 26040 and the Law of Higher Education Institutions numbered 2547 are applied for the supervision of the other matters foreseen in the legislation for our university. In addition, our university has internal audit and internal control practices. In addition, within the scope of CMB Corporate Governance Notification, there has been no important procedure that could cause conflict of interests of the stakeholder holding the management control.

In works related to the Founding Foundation, practices are performed within the framework of equal treatment principle and legislation and the necessary arrangements are made in our university to give maximum importance to the issue in question. Related legal legislation and Foundation Universities came to realize by grounding on the protection of the existing rights of the Founding Foundation at the ultimate stakeholder status and these rights are under legal assurance.

In this respect, the legal regulations are obeyed and the regulations on foundation universities are followed on the subjects such as the right to obtain and examine information, and the determination and selection of the Board of Trustees.

3. SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Content

Our university has an active and up-to-date corporate website. Our university's internet address; www.aydin.edu.tr and the information in the corporate website and the required related sections are also available in English pages. On the website, various kinds of information that may be requested about our University have been comprehensively included. Our website, updated according to the developments, includes every subject within the governing legislation. In addition, our university anticipates making updates in 2018 by showing maximum sensitivity to information

flow and taking into consideration the minimum particulars stipulated in CMB Corporate Governance Notification.

3.2. Activity Report

Our university demonstrates the utmost sensitivity to the preparation and publication of periodic activity reports in details that enable stakeholders and the public to reach full and accurate information about the University activities. Our university is going to pay required attention to include the information set out in the Principles of Corporate Governance stated in Corporate Governance Notification numbered II-17.1 in the activity reports from the period of 2016 – 2017. The following 2017 – 2018 activity report is going to be prepared by reviewing in accordance with the regulations and legislation.

4. SECTION IV – RELATIONSHIPS WITH THE STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders as interest groups refer to virtually third parties and the public in direct relation with the University that are notably academic members, administrative staff and students. Policies and practices are developed by our University and supported by a University Policy linked to a strategic plan oriented to different beneficiaries and / or interest groups defined as “Stakeholders”. All of our rights owners and beneficiaries, who are embraced with the concept of “stakeholder”, are subject to active communication with equal treatment and practices.

Maximum effort is made to ensure that the stakeholders’ rights regulated or not yet regulated by the legislation are guaranteed within the scope of our university’s stakeholder definition. The required systematic communication channels are established for the stakeholders to inform them on the matters that concern them about the university. In addition, the mechanisms necessary for the transmission of the illegitimate and ethically inappropriate transactions to the relevant units through Internal Audit have been established by our University. University’s codes of ethics and the regulations related to the functioning of the ethics committee have been put into practice. The confidentiality of applications to the ethics committee is essential.

4.2. Codetermination of the Stakeholders

Codetermination of the Stakeholders; as a principle, the participations in the improvement activities on administrative issues and the practices in which they can actively declare their opinions and make evaluations are carried out according to the procedures established in the university. As interest groups, “internal and external stakeholders of our university” use systems and mechanisms that enable them to participate in university administration in matters involving themselves. These processes are supported and actualized by our university. Moreover, comprehensive studies based on the philosophy of quality, which includes subjects from quality-oriented education, quality planning, quality control systems to quality improvement methods, and aiming to increase productivity in education and training are being carried out strategically and the subject and details are included in the Activity Report. The studies are carried out and coordinated within the relevant units by paying due attention to stakeholders’ expectations.

Applications that strengthen communication and enable information flow in governance are used through intranet applications as a portal for intra-university communication and printed publications (IAU Aydın Periodical Gazette and IAU Aydın Periodical Magazine) in addition to the website of our university.

As it is in the university, the application and research centers related to all faculties and interconnected academies also use their communication channels periodically. In addition, systematic channels are used to proactively resolve the complaints of all academic and administrative staff as well as students. Apart from improvement works, quality assurance systems, quality certification and quality standards as well as efforts to ensure the quality of education and training are implemented and followed within the body of Department of Strategy and Quality Improvement of our university. Comprehensive application procedures are available in this direction.

Therefore, stakeholders' opinions and recommendations are evaluated as an important input in the important decisions that resultant for all stakeholders and directly concern them.

4.3. Human Resource Policies

Our university's human resources policies are shaped in line with the university strategies and policies and are being developed within the context of new applications, and emphasis is placed to their application with precision.

In this framework, activities are coordinately conducted both within the Department of Personnel and the Human Resources Department and both the academic staff and the administrative staff are ensured to be protected from any discrimination or ill-treatment. In this regard, no complaints were made during the period. Due care is exercised for providing participation and receiving feedback of the university members at every level and systematic meetings are held. Our university attaches importance to the protection of human rights and the support of the performance in this area in business processes.

In this framework, the utmost attention is paid to the social rights and vocational training of employees and the developments related to HR practices are closely followed and implemented.

4.4. Codes of Ethics and Social Responsibility

Activities are organized, administered, monitored in accordance with the effect criteria on corporate social responsibility and society within the framework of public social activities both in Küçükçekmece region and Istanbul, where the university is located, and in national and international fields. In this context, detailed information is available on the issues related to the work carried out during the period. Also, from institutional activities to individual activities, publications about our social activities are included in the form of news, interviews or information in the intranet environment and in the Aydın Gazette and Aydın Magazine published periodically by IAU. Moreover, support is given to the activities of social associations, foundations and organizations within the scope of social responsibility. In this context, projects on many subjects such as education, sports, cultural activities, artistic activities, are provided at all levels, including the student clubs of our university. A general social responsibility policy has been adopted that emphasizes the institutional and social development and the dynamics that will enable the participation of students within the university. Attention is given to the activities that sustain awareness and triteness on social responsibility projects and to the perspective of sustainability.

Our university that attaches great importance to social responsibility activities, which are a part of our country's long history and rich culture, is conducting various social responsibility activities such as student clubs, institutional and academic units to raise our youth as individuals who have social responsibility awareness, give importance to traditions of our country, protect and improve the values that make us, are more sensitive to the social, cultural and communal problems in our country and in the world and able to produce solutions to these problems. These activities are carried out within the framework of a goal based on volunteering and serving the public. At the same time, our students, academic and administrative staff are encouraged to conduct social responsibility projects as individuals and groups and there are various events to increase social responsibility awareness.

Social Responsibility Activities organized during the period of 2016-2017:

Number	Date	Activity	Definition	Number of the Participating Students
1	03.10.2016	Şehit Cem Havale Primary School / Secondary School Jumble Sale	Social Responsibility	15000
2	05.10.2016	Şehit Cem Havale Primary School / Secondary School Tayakadın	Edirne Establishing Library	27
3	06.10.2016	Mehmetçik Adil Kepolu Primary School Silvan / Viranşehir Urfa Jumble Sale	Social Responsibility	350
4	11.10.2016	Mehmet Adil Kepolu Primary School Silvan / Diyarbakır Jumble Sale	Social Responsibility	620
5	25.10.2016	We are PLAYING BALL for Countrywomen	Social Responsibility	950
6	26.10.2016	Nadaslık Primary School Jumble Sale	Social Responsibility	800
7	26.10.2016	Florya Summer Camp Reading Event for the Visually Impaired People	Social Responsibility	290
8	27.10.2016	Nadaslık Primary School Jumble Sale Social Responsibility	Social Responsibility	750
9	03.11.2016	Güven Primary School Korkut / Muş Jumble Sale	Social Responsibility	505

10	03.11.2016	Nadaslık Primary School / Muş Jumble Sale	Social Responsibility	480
11	09.11.2016	Jumble Sale for Village Schools	Social Responsibility	2000
12	13.11.2016	38. Eurasia Marathon March Against Child Abuse	Social Responsibility	50
13	14.11.2016	Mavi Yeşil Special Education Center Game with the Children with Disabilities	Social Responsibility	50
14	19.11.2016	Fighting Against Erosion March for Respect to the Soil	Social Responsibility	70
15	29.11.2016	Jumble Sale for Animal Shelters	Social Responsibility	354
16	30.11.2016	Viranşehir Special Education School Social Aid	Social Responsibility	450
17	01.12.2016	Viranşehir Special Education School Social Aid	Social Responsibility	510
18	05.12.2016	Gammon with No Obstacles Tournament	Social Responsibility	230
19	06.12.2016	Gammon with No Obstacles Tournament	Social Responsibility	230
20	12.12.2016	Public Press to Condemn Terror	Social Responsibility	6000
21	13.12.2016	Visit to Semiha Şakir Eventide Home	Social Responsibility	30
22	16.12.2016	Mavi Yeşil Special Education Center Game with the Children with Disabilities	Social Responsibility	50
23	20.12.2016	Çakırbey Primary School / Van Social Aid	Social Responsibility	1000
24	22.12.2016	The Association of Prisoners of Fate Aid Effectiveness	Social Responsibility	300
25	22.12.2016	Visit to Darülaceze	Social Responsibility	20

26	16.01.2017	Keleş Harmandemirci Abdullah Akça İÖO Establishing Library	Social Responsibility	598
27	16.01.2017	Güneştepe Primary School Diyarbakır Jumble Sale	Social Responsibility	735
28	16.01.2017	Hacılar Primary School Bingöl Aid for Library	Social Responsibility	840
29	16.01.2017	Dargeçit Secondary School Mardin Jumble Sale	Social Responsibility	523
30	16.01.2017	Yunus Emre Anatolian High School Social Aid	Social Responsibility	401
31	16.012017	Selahattin Eyyübi Primary School Şanlıurfa Social Aid	Social Responsibility	678
32	16.01.2017	Bintak Primary School Social Aid	Social Responsibility	283
33	16.01.2017	Selahattin Eyyübi Anatolian High School Şanlıurfa Jumble Sale	Social Responsibility	327
34	16.01.2017	Cengiz Topel Secondary School Social Aid	Social Responsibility	487
35	16.01.2017	Cide Multi-Program Anatolian High School Kastamonu	Social Responsibility	360
36	16.01.2017	Zeynep Nurgül Ersoy / Van Social Aid	Social Responsibility	419
37	19.01.2017	İbni Sina Vocational and Technical Anatolian High School / Tunceli	Social Responsibility	588
38	19.01.2017	Halıcılar Primary School / Bingöl Social Aid	Social Responsibility	257
39	19.01.2017	Güneştepe Pirmary School / Diyarbakır Jumble	Social Responsibility	1053

		Sale		
40	19.01.2017	Gedikli Primary School / Adiyaman Aid for Library	Social Responsibility	960
41	20.01.2017	Keleş Harmandemirci Abdullah Akça İÖO Establishing Library	Social Responsibility	550
42	05.02.2017	Visit to Darülaceze	Social Responsibility	15
43	28.02.2017	Blue Ribbon Distribution for Attention to Rare Diseases	Social Responsibility	500
44	28.02.2017	Jumble Sale for Village Schools	Social Responsibility	890
45	07.03.2017	Jumble Sale	Social Responsibility	245
46	08.03.2017	March 8th International Women's Day Distribution of Cards	Social Responsibility	750
47	14.04.2017	Help Yourself with the Hand of the Orphan Aid Booth	Social Responsibility	520
48	18 – 19 – 20.04.2017	Kızılay Blood Donation	Social Responsibility	1300
49	24 – 25.04.2017	Take 1 Book and Come	Social Responsibility	1730
50	27 – 28.04.2017	Alparslan Girls' Imam Preachers Secondary School Jumble Sale	Social Responsibility	180
51	15.05.2017	Festival for Children at Ministry of Justice Bakırköy Women Closed Penitentiary Institution	Social Responsibility	50

Moreover, there have been no negative notifications that may harm the environment or cause environmental pollution during the period, and so the existing technical and administrative equipment, providing quality standards, ensures that effective implementations within the scope of environmental awareness are actualized. In addition, utmost importance is given to environmental

protection, energy management and climate change within the relevant application and research centers.

In addition to these, generally accepted rules of ethics shall be followed in the legislations, regulations and practices as a whole. Besides that, it is envisaged that the code of ethics should be written and shared with the public within the scope of the principles of corporate governance, and the ethics committee has been established along with the practices of the universally accepted codes of ethics of our university.

The codes of ethics of our university encompass notably the Board of Trustees, the Senate and the Executive Board, as well as all academic and administrative staff of the university, in short, all the members of Aydın. All members of Aydın are expected to obey the University's Code of Ethics. The members of Aydın are obliged to comply with the ethical rules of our university.

No distinction is made in our university based on language, race, gender, political thought, philosophical belief, religion, sect and similar causes. There are no direct or indirect different practices due to gender or pregnancy in the preparation of employment contract and the preparation, implementation, termination of the conditions unless the reasons related to the work's nature such as the risks of the business, employment safety, legal obligations, etc. oblige to do that. A lower wage for a job of the same or equal due to gender is not decided. Recruitment, appointment and promotion are performed on the basis of objective criteria without making any discrimination on the subjects such as language, religion, gender, race, etc.

In addition, all academic and administrative staff of our university shall demonstrate the necessary awareness to our codes of ethics to ensure that their decisions to perform their duties, their impartiality or their commitment to the University are not in conflict of interests within our university's codes of ethics.

Our university tries to make practices which are respectful and sensitive to human rights widespread and effective for notably all of our employees, then all of our other stakeholders in the value chain that we have created. As a result of our understanding of the subject, there are no forced / obligatory practices in our university. The importance we place on universal human rights and practices constitutes the basis of our ethical understanding.

5. SECTION V – THE BOARD OF TRUSTEES, SENATE, EXECUTIVE BOARD

5.1. The Structure and Formation of the Executive Board

Our university has a structural organization on the grounds of the legislation basis to the university's establishment and the related law within the regulations those other foundation universities subject to. The Board of Trustees, which is the highest decision-making body of the foundation higher education institution, represents the legal personality of the foundation higher education institution. Academic organs in higher education institutions to be established by foundations are organized like the academic organs in public higher education institutions and they perform these academic organs' duties. This organization structure has a different feature than the publicly-held joint-stock companies covered by CMB Corporate Governance Notification and it does not consist of a single executive board, as in joint stock companies. As a result of the unique structure of universities and

being a foundation university, it is evaluated that there is a triple structure and the Board of Trustees, University Senate and University Executive Board are each parts and complementary elements of this triple structure. The operating principles of the boards are fulfilled in accordance with the legislations and regulations.

A triple board structure was evaluated as the board of trustees with its own authorization is a separate board, the senate responsible from academic processes is a separate board and the executive board responsible from administrative processes is a separate board of our university in this context. The president of the Board of Trustees and the Rector of our University represent two separate administrative powers of the university subject to the legislation and regulations of higher education institutions. The rector of the university is present in all three committees; besides the president and the members of the Board of Trustees, the rector of the university is also a member of the Board of Trustees and parallel to this, he / she is the president of the senate and the executive board of the university.

The board of trustees of the university comprises of at least seven members elected by foundation managing body for four years, and these members are chosen among the candidates who have the qualifications to be state officials and at least two-thirds of them have received higher education diplomas. The board of trustees elect a president among themselves. At foundation universities, the rector is a natural member of the board of trustees and at the same time he / she cannot be elected as the president of the board. Since the board of trustees present the legal entity of the institution, it is determined that there is a structure in accordance with the principle that the president of the executive board and the general manager / CEO must be in separate persons determined within the context of CMB Principles of Corporate Governance. The members of the board of trustees, the senate and the executive board of the university fulfill their duties in the status of member under the legislations and regulations of higher education institutions.

Additionally, the membership of the board of trustees is honorary. In this case, "independent member" statutes can be foreseen in accordance with the characteristics of the board of trustees. As such, a structuring that will ensure diversity in terms of knowledge, experience and opinions in all three committee structures is in accordance with the legal regulations of the universities and it has also been assessed that it is appropriate for the functioning of the matters about the regulations relating to the executive boards of corporate governance principles.

The president, members, structures, number of members and their duties in each of the three committees of our university are in the relevant section of the Activity Report.

5.2. Operating Principles of Management Organs

The topic titles or agendas relating to the specific decisions of the Board of Trustees, the Senate and the Executive Board are prepared periodically or in the framework of the emerging requirements. The number of meetings of the Boards may vary depending on the emerging needs. The Senate convenes when the quorum is reached. Participations and invitations to the meetings are carried out essentially within a procedure and as the university's works are needed, and the board meetings are held. If different votes come into question in the meeting decisions, it is essential to add an annotation to the decision. When the decision is taken, the questions and explanations are included if there is any. Committee decisions are subject to the arrangements and legislation within the context of laws and regulations of Higher Education Institutions.

5.3. The Number, Structure and Independence of the Committees Established within the Executive Board

Regarding the committees mentioned in the CMB Corporate Governance Notification, no committees affiliated to the university boards were established during the 2016-2017 operating period. It is foreseen that these committees will be formed in the coming period in accordance with the university structure.

5.4. Risk Management and Interior Control Mechanism

An internal audit and internal control organization depending on the financial, administrative and academic activities of the university were organized and evaluations have been made that the responsibilities required by the legislation between universities have been fulfilled and the necessary proactive measures against financial, operational and foreseeable potential risks were taken with university's internal control system. The subjects that have been evaluated includes: conducting the university's education and training activities and services efficiently, reliably and uninterruptedly; the integrity, consistency, timely of the information received from the accounting and financial reporting system; efficiency, sufficiency, congruity of the internal controls made to sustain security; fulfilling the responsibilities required by the legal legislation on the subjects such as internal control, internal auditing, risk management in connection with the preparation of the conglomerate financial statements. There have been no significant problems with regard to the work and process in question, there have been records including positive opinions concerning the works of institutional risk and internal control systems and the good functioning of these works, and it has been declared that no significant events have occurred. The Board of Trustees is directly responsible from this subject.

5.5. The University's Strategic Goals

Strategic goals are aimed, approved and applied by our university, notably the Board of Trustees. Mission, vision and values were announced in line with our university's strategic priorities and the criteria of contemporary education and training is applied in direction of priorities and developments. The university's strategic goals are defined, the necessary resources are provided, and the strategic decisions are put into practice within the strategic plan. Depending on its strategic objectives, the Board of Trustees makes decisions in the direction of reviewing the annual activities and follows and applies the evaluation of the results.

As much as the Board of Trustees, the Senate and the Executive Board of the university show the necessary sensitivity and responsibility on the subjects within their responsibilities to increase the efficiency and effectiveness of the strategic works in question.

5.6. Financial Rights

The Board of Trustees of the university is responsible from the university's specified operational and financial performance objectives. The charging basis of the members in the university committees and the administrators with administrative responsibilities, and the criteria used to determine all kinds of rights, benefits and wages of all board members and university senior executives are subject to the legislation of higher education institutions.

In addition, with the decision of founding foundation board of directors, the board of trustees can be given the right of attending meeting, way, and attendance fee. The amount to be given can not exceed twelve in a year and the amount to be paid for each meeting to be attended shall not exceed the fee foreseen for the members of the General Council of Higher Education in Article 6 of Law numbered 2547. No payment is done to the president and the members of the Board of Trustees except this one. The provisions of Law numbered 2547 apply to all other Board Members.