



Corporate Governance Rating Report



LOGO

17 December 2020

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Rating and Executive Summary

LOGO YAZILIM SANAYİ VE TİCARET A.Ş. (LOGO)

 SAHA
Corporate Governance
Rating:

9.22



MAIN SECTIONS: Avg. 92.18

Shareholders: 90.94



Public Disclosure & Transparency: 91.82



Stakeholders: 96.00



Board of Directors: 91.70



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

The Corporate Governance Rating of 9.22 that has been assigned to Logo Yazılım Sanayi ve Ticaret A.Ş. on December 17, 2019 is hereby reconfirmed as **9.22**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

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.. Logo is analyzed as a Turkish company 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 October 8, 2019 can be accessed at <http://www.saharating.com>.

Logo is rated with **9.09** 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. Shareholder relations are carried out by the Investor Relations Department. 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 publicly disclosed, consistent dividend policy of the Company. On the other hand, there are areas for improvement like existence of voting privileges such as election of half of the members of the board of directors among the candidates nominated by the holders of Group A shares, and adoption as it is, the rate of minority rights in the Company's articles of association as prescribed for public joint stock companies (%5).

Logo attained **9.18** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site 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 A.Ş. (BIST) rules and regulations. Corporate web site is also prepared in English for international investors. However, the Company's shareholding structure; the names and rate of the shares held by the individual shareholders as identified after being released from indirect or cross shareholding relationships between co-owners are not disclosed to the public. Also the benefits provided to board members and senior executives are not mentioned on individual basis in the annual report.

On the topic of **Stakeholders**, Logo scored **9.60**. Logo 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 developed to support the participation of stakeholders in the management of the Company, but such models are not included in the articles of association. The Company has a documented human resources policy. Logo complies with quality standards concerning its goods and services and takes measures to ensure these standards. Specific guarantees are provided for this purpose. Code of ethics and the employee compensation policy is publicly disclosed through the corporate web site. There is no labor union at the Company.

From the perspective of the principles regarding the **Board of Directors**, Logo's tally is **9.17**. There is a well communicated Company mission and vision, and the board fulfills all duties regarding Company needs. Chairman of the board and the chief executive officer is not the same person. The board consists of six members, three of whom are independent. There are two executive members on the board of directors. CMB criteria are complied with and the opinion of the Corporate Governance Committee is received for the appointment of independent members who have each signed a declaration of independence. Any defects and damages caused by board members during the execution of their duties are insured for an amount exceeding 25% of the Company's capital, but a relevant PDP disclosure is not released. Corporate Governance, Audit, Early Detection of Risk, Nomination, and Remuneration Committees are established within the board of directors. Chairmen of all Committees are elected among the independent board members. However, the chairman of the board serves on three Committees simultaneously. The working principles of the Committees are disclosed to the public. Principles of remuneration of board members and senior executives are available on the corporate web site. The Company does not provide any loans or extend any credit to the board members or senior executives. Finally, there are no female members on the board of directors.

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 338 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.21).

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

LOGO YAZILIM SANAYİ VE TİCARET A.Ş.	
	Chairman of the Board M. Tuğrul Tekbulut Logo Group CEO M. Buğra Koyuncu
Şehabettin Bilgisu Cad., No:609, Gebze Organize Sanayi Bölgesi, Gebze, Kocaeli www.logo.com.tr	Logo Group CFO Gülnur Anlaş Tel: (0262) 697 80 00 gulnur.anlas@logo.com.tr

Logo Yazılım Sanayi ve Ticaret Anonim Şirketi (Logo) was established in 1986 as a limited liability company and changed its status to a joint stock company on September 30, 1999.

The Company's main scope of business include the production, development, processing, and reproduction of the software embedded in computer hardware, operating system software, application software, database software, productivity software, multimedia software, and the like, and distribution of the same via any physical or electronic media along with carrying out any kind of technical assistance, training, or technical service.

Logo's subsidiaries and their main activities are as follows:

<u>SUBSIDIARIES</u>	<u>COUNTRY</u>	<u>MAIN AREA OF ACTIVITY</u>
Total Soft S.A.	Romania	Software development and marketing
Logo Elektronik Ticaret Hizmetleri A.Ş.	Turkey	Software development and marketing
Logo Financial Solutions GmbH	Germany	Software development and marketing
Logo Business Solutions FZ -LLC	UAE	Software marketing
Logo Kobi Dijital Hizmetler A.Ş.	Turkey	Software development and marketing
Architected Business Solutions SRL	Romania	Software development and marketing
ABS Financial Services SRL	Romania	Software development and marketing
ELBA HR İnsan Kaynakları A.Ş.	Turkey	Software development and marketing

<u>JOINT VENTURES</u>	<u>COUNTRY</u>	<u>MAIN AREA OF ACTIVITY</u>
Logo Infosoft Business Technology Private Limited	India	Software development and marketing

Corporate stocks with a nominal value of TL 25,000,000 are traded under "LOGO" code at Borsa Istanbul and Logo is a constituent of BIST ALL SHARES / BIST STARS / BIST 100 / BIST KOCAELI / BIST TECHNOLOGY / BIST CORPORATE GOVERNANCE / BIST 100-30 / BIST INFORMATION TECHNOLOGY and BIST SUSTAINABILITY indices.

Recent shareholding structure of the Company is as follows;

Shareholder	Capital (TL)	Share %
Logo Teknoloji ve Yatırım A.Ş	8,407,513.20	33.63
Other (Free Float)	16,592,486.60	66.37
TOTAL	25,000,000.00	100.00

The shares representing the capital are divided into two groups, as A and B. Half of the members of the board of directors and the chairman of the board should be elected among the candidates nominated by the Group A shareholders.

The Group distribution of the shares representing the capital is as follows.

Group	Capital (TL)	Share %
Group A	33,000.00	0.13
Group B	24,967,000.00	99.87
TOTAL	25,000,000.00	100.00

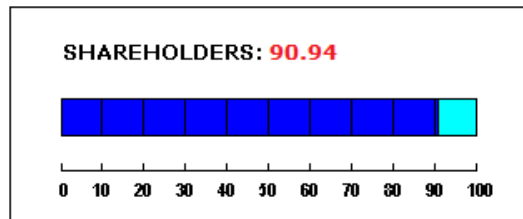
Following the ordinary general shareholders' meeting held on July 14, 2020, it was decided that a dividend distribution will not take place and profit will be kept within the Company, taking into account market expectations, long term corporate strategy, investing and financing policies.

The board of directors of the Company consists of 6 members and the names and duties of the members, who were elected for 3 years at the ordinary general shareholders' meeting held on May 3, 2019, are given below.

Members	Title	Status	Committees Served
M. Tuğrul Tekbulut	Chairman	Executive	Member of Corporate Governance & Nomination & Remuneration Committees
M. Buğra Koyuncu	Vice-chairman	Executive	
Murat Erkut	Board member	Non-executive	
M. Cengiz Ultav	Board member	Independent	Chairman of Corporate Governance & Audit & Nomination & Remuneration Committees
M. Berkay Mollamustafaoğlu	Board member	Independent	Early Detection of Risk Committee Chairman Member of Corporate Governance & Nomination & Remuneration Committees
A. Afa Boran	Board member	Independent	Member of Audit & Early Detection of Risk Committees

There are no female members on the board of directors.

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.
+	Detailed dividend distribution policy.
+	Policy on donations and grants 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.
-	Voting privileges on board nominations.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

Investor relations activities at Logo are carried out by the Investor Relations Department, under the Deputy Chief Executive Officer. The Department manager, Ms. Canan Şenkut, possesses the qualifications specified in the corporate governance communiqué.

Along with other units of the Company, the "Investor Relations Department" 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 Department 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 are available and up to date on the corporate web site.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application 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 or warning received in this regard.

The Company has established a disclosure policy, submitted to the attention of shareholders and disclosed to public on the corporate web site.

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 invitation to the general shareholders' meeting held on July 14, 2020 is performed through all means of communication available to the Company on June 18, 2020 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.

In addition, a descriptive disclosure document on agenda items has been prepared.

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 web site;

- 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.

Due to the pandemic, our observers did not attend the general shareholders' meeting held in 2020, and the statement of the Company officials was referred for some of the control points highlighted by us in the

past years. In this context, it has been declared that 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 Company statement is in line with the opinion we have reached over the past years.

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.

The Company has submitted a policy on donations and grants to the general shareholders' meeting for approval. In addition, shareholders were informed with a separate agenda item, on all donations and grants effectuated during the reporting period and the amount of benefits and beneficiaries.

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

A clause on allowing the attendance of those including stakeholders and media with no voting rights is included in the internal guidelines of the general shareholders' meeting.

1.5. Voting Rights:

The Company's shares are classified in two groups as Class A and Class B

shares. As per the articles of association, half of the members of the board of directors and the chairman of the board shall be elected among the candidates nominated by the holders of A Group of shares.

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 are no other voting privileges at Logo and all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

1.6. Dividend Rights:

The dividend policy of Logo is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

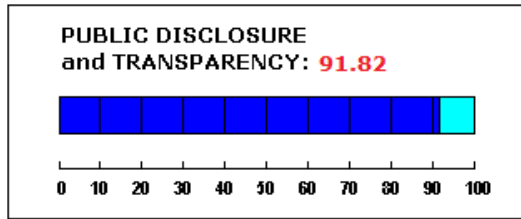
The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the Company.

Furthermore, the articles of association of the Company contain a provision on advance 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

+	Comprehensive web site, 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 web site for international investors.
+	Dividend distribution policy disclosed to public via corporate web site.
-	All benefits provided to board members and senior executives are not disclosed to the public on individual basis.
-	List of ultimate controlling individual shareholders are not disclosed to the public.

2.1. Corporate Web Site:

Company's web site 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 web site 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, periodical financial statements, annual reports, 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 5 years can be reached on the web site.

Logo disclosed its Corporate Governance Compliance Report ("CRF") and the Corporate Governance Information Form ("CGIF") notifications via PDP on March the 10th 2020, within the specified notification period.

The Company's web site also includes; investor presentations, working principles of the committees, the donation policy, material disclosures, the vision/mission of the Company established by the board, information on dividend distribution and capital increases, news, social responsibility activities, information on senior management, financial data and main ratio analysis.

The information contained on the web site exists also in English for the benefit of international investors.

However, 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 along with the privileges they hold is not disclosed to the public.

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.

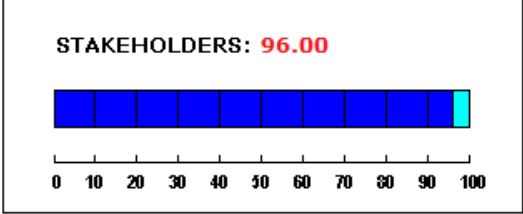
2.3. External Audit:

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

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.
+	Stakeholders' views are taken on important decisions.
+	Code of ethics disclosed to the public.
+	Measures are taken to ensure customer satisfaction on sale of goods/services.
+	Social Responsibility and Sustainability activities are satisfactory.
=	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.

3.1. Company Policy Regarding Stakeholders:

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

An employee compensation policy is established and disclosed to public on the corporate web site.

3.2. Stakeholders' Participation in the Company Management:

Logo 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:

Logo's human resources policy are based on the principles of respect for human knowledge, objective evaluation, equal opportunity, employee involvement in management, encouragement of development, continuous education, competency, and performance-based progress. Recruitment and promotions are based on the principle of equal opportunity, and decisions are made taking into consideration an individual's performance, knowledge, and experience. No complaint of discrimination has been received to date. Equal opportunity is one of the issues where company management has great sensitivity.

The Human Resources Department is in charge of performance and career

management practices; planning, conducting, and measuring training and development activities; carrying out the recruitment process; managing the compensation system; and improving employee satisfaction. Job descriptions, performance and reward criteria are announced to the employees based on the Company's human resources policy.

Employee relationships are represented at the board level. Human Resources Department addresses, evaluates and resolves requests and problems of all employees in relation to professional, personal, career and training related needs.

There is no trade union at the Company.

3.4. Relations with Customers and Suppliers:

The satisfaction of customers and suppliers is the Company's priority and an indispensable goal. Customer satisfaction is monitored and reported regularly. Confidentiality of information relevant to customers and suppliers is also respected within the scope of trade secret.

3.5. Ethical Rules & Social Responsibility:

Logo conducts its activities with a sense of responsibility towards the society and the world, and shows constructive approaches to social problems. The Company holds free educational seminars in vocational schools and organizes activities to help students pursue careers. Logo supports educational programs both financially and in kind with their products. In addition to financial support provided in campaigns organized by non-governmental organizations and charities, employees are also encouraged to participate in these events personally.

Logo launched Logo Future Coders Lab in 2019. The initiative was carried out with the contributions of All Children are Our Children Association (BÇBD) and Workshop Vision to fulfil social responsibilities and to inspire future software developers. Logo Future Coders Lab teaches coding to children by implementing fun methods and teamwork, and further aims to impact their future lives from today by developing their imagination, mechanical aptitudes and analytical skills.

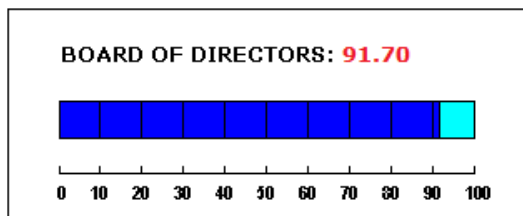
3.6. Sustainability:

In 2019, a separate committee and working group structure was established for Sustainability issues. Establishing sustainability approaches in line with the Company strategy and continuous improvement in the transition from policy to implementation by monitoring and reporting projects are the main objectives of this new structure.

Accordingly, the Company, which determines the focus of its sustainability strategy as investing in the society, the environment and the future of the Company and contributing to the sustainable transformation of its ecosystem with innovative products and services, embraces the topic of sustainability at the highest level.

In addition, electronic, paper, battery, and plastic wastes are recycled and new tools and applications have been adopted to reduce electricity, water, and fuel consumption. The Company also strives to decrease carbon emissions.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The board works efficiently and staffed with qualified members.
+	Three independent members on the board.
+	Audit, Corporate Governance, Early Detection of Risk, Nomination, and Remuneration Committees established.
+	Principles of remuneration of board members and senior executives established and disclosed to public.
+	Conduct of the board meetings is defined in Company's internal regulations and included in the articles of association.
=	There is a manager liability insurance for an amount exceeding 25% of the capital, but the related PDP disclosure is not realized.
-	No female board members.
-	Privileges on board nominations.

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 board of directors plays a leading role in maintaining effective communication between the Company and the shareholders, and settling any disputes which may arise.

Losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly

are insured. However, no relevant PDP disclosure was released.

4.3. Structure of the Board of Directors:

The Company's board of directors consists of 6 (six) members and half of the members must be elected among the candidates nominated by the holders of Group A shares. In addition, according to the articles of association, the chairman of the board must also be elected from the candidates nominated by the A Group shareholders.

There are 3 independent members on the board of directors.

The Corporate Governance Committee prepared a report on the candidates nominated by the board and shareholders, by taking into consideration 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 each 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.

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. The board held 17 meetings in 2019.

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 of the board is entitled to a single vote.

The conduct of the board of directors meetings is documented in internal regulations and meeting and decision quorums have been included 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. Such a limitation is not deemed necessary due to the important contribution of the independent members to the board with their professional and sector experience.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit, Early Detection of Risk, Nomination, and Remuneration Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the Committees, their working principles and members are designated by the board of directors and disclosed to public on the corporate web site.

The Audit and the Early Detection of Risk Committees are composed of two independent members each.

There are four members on the Corporate Governance Committee and three members each on Nomination and Remuneration Committees. Chairmen of all three Committees are elected among the independent board members.

The Early Detection of Risk Committee houses two members with an independent board member as chairman.

Investor Relations Department manager is appointed as a member of the Corporate Governance Committee and there are no other executive members in the Committees. However, the chairman of the board of directors serves in three committees simultaneously.

All necessary resources 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.

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.

The annual report does not contain any information on number of written notices given to the board of directors by the Audit Committee within the reporting period, nor the meeting resolutions.

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 the 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 lack of implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the investor relations unit.

Early Detection of Risk Committee reviews risk management systems at least once a year. However, in order to assess its degree of efficiency and functionality, we need additional monitoring to be able to have a more robust 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.

We need further observations to have a solid opinion, and to assess the degree of efficiency and functionality of the Nomination and Remuneration Committees; whether they have conducted studies to identify suitable candidates for the board of directors and managers with administrative responsibilities on creation of a transparent system of evaluation and training, on determination of the relevant policies and strategies, particularly with regard to its reviews on the structure and efficiency of the board of directors; whether they submitted their recommendations to the board members on changes that

can be done on these matters; whether they determined the principles, criteria and practices to be used at the remuneration of board members and executives taking into account the long-term goals of the Company; and by taking into account the degree of achievement of the criteria, whether they make proposals to the board on remuneration of the board members and senior executives.

4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:

The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders' attention as a separate item at the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on the corporate web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

Logo 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.

Losses that may be incurred by the Company, and third parties, as a result of not performing the executives' duties duly are insured.

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.

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.

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.
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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