

# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART I - Statement of Compliance with Corporate Governance Principles

a) During the operating period ended 31 December 2016, PINAR SÜT MAMULLERİ SANAYİİ A.Ş. ("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué No: II.17.1 on Corporate Governance (" the Communiqué ") issued by the Capital Markets Board of Turkey (CMB).

b) Our Company spends maximum effort to achieve full compliance also with the non-compulsory Corporate Governance Principles. Justifications for currently non-implemented non-compulsory principles are presented herein below, and it is considered that the said matters do not lead to any major conflicts of interest under the current circumstances. It maintains its position for the principle numbered 1.3.11 as their implementation is non-compulsory.

While the Company intends to achieve full alignment with the principle 2.1.2, the hardships in practice create obstacles against full compliance.

Alignment with the principles numbered 1.5.2 and 4.6.5 cannot be realized due to the fact that these principles do not fully coincide with the market and the Company's existing structure.

The Company is currently in the process of assessment in relation to efforts for full compliance with the principle numbered 4.2.8.

Technical infrastructure of web site for investor relations was renewed and user interface was improved in 2016. Donation policy of the Company was submitted for approval of 2015 general assembly and we made progress for the board committees to work more efficiently.

Our company will continue to monitor the changes in legislation and implementations regarding compliance with the principles and to carry out the necessary work also in the future.

### PART II - SHAREHOLDERS

#### 2.1. Investor Relations Department

The investor relations department handling communication with the investors has been set up at the Company pursuant to Article 11 of the Communiqué. Investor Relations Department reports to the Company's General Manager, Gürkan Hekimoğlu.

Contact information for Investor Relations Department is presented below:

Head of the Investor Relations Department: Gökhan Kavur (holds Capital Market Activities Advanced Level License)

Investor Relations Department Officer: Aslı Kahyaoğlu

Phone: 0 232 495 00 00

Fax: 0 232 484 17 89

E-mail: investorrelations@pinarsut.com.tr

The Investor Relations Department is mainly charged with the following:

- Ensure that records of correspondence by and between the investors and the Company, and of other information and documents are maintained in a reliable, secure and up-to-date manner,
- Respond to shareholders' written requests for information about the Company,
- Prepare the documents related to the general assembly meetings, which need to be made available for the information of, and review by, shareholders, and take necessary steps to make sure that the general assembly meetings are carried out in accordance with the applicable legislation, the Company's articles of incorporation and other bylaws,
- Supervise and monitor that obligations arising out of the capital market legislation are fulfilled, including all aspects of corporate governance and public disclosure,
- Ensure that investor relations activities are properly conducted.

Having obtained the views of other units when necessary and in coordination with such units, the Investor Relations Department is responsible for providing shareholders and potential investors with information about the Company's activities, financial standing, and strategies, with the stipulations that it may not divulge any information which is confidential and/or in the nature of a trade secret and that it must not do so in any way that might lead to information asymmetry and for managing communication moving on both directions between shareholders and company managers.

During the reporting period, the Unit held one-on-one contacts with nearly 50 investors, and responded to more than 100 queries by phone or e-mail. Shareholders requested information about situation of their dematerialized shares and regarding changes of share values. In addition, upon disclosure of the Company's financial results, two webcast meetings were organized, which were open to analysts and addressed the Company's activities and financial results for 2015 full year and for 2016 first half. "Financial Presentations" drawn up in Turkish and English languages covering the Company's periodic operating results were published on the Company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests.

### **2.3. Use of Shareholders' Rights to Obtain Information**

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the Company's corporate website. During 2016, utmost care was paid, under the supervision of the "Investor Relations Department", to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as general assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the Company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the Company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation, no such request was received during 2016.

### **2.4. General Assembly**

Pursuant to "Article 19 - Meeting Quorum" of the Company's articles of incorporation, the quorum requirements at annual and extraordinary General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code.

The 2015 Annual General Assembly meeting took place on March 30, 2016 at the Company's plant during the reporting period. At the 2015 ordinary general assembly meeting, 83.39% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. representative participated in the meeting, whereas no media representatives were present. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings. Invitations to the general assembly meeting were made by the Board of Directors.

The Company's General Assembly meeting announcements were promulgated under "Article 22 - Announcements" of the Company's articles of incorporation, and in accordance with the relevant provisions of the Turkish Commercial Code and with other regulations, communiqués, Capital Markets Board requirements to be published under the said Code, as well as other applicable legislation. The meeting announcement was published in the Turkish Trade Registry Gazette minimum 21 days (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website and local newspapers, and shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the general assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2015 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

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The Company's annual report and the informational document for the general assembly meeting were made available for shareholders' information at the Company headquarters and on its corporate website as of 21 days before the General Assembly Meeting date. To facilitate attendance to the General Assembly Meeting, shuttle buses were provided for transportation between downtown and the factory. During the general assembly meeting, issues on the agenda were explained impartially and in detail so as to be clear and intelligible. Shareholders were given equal opportunities to express their thoughts and to ask questions, and a healthy climate of debate was created.

Minutes of General Assembly meetings are kept available for shareholders at all times at the Company headquarters. In addition, the minutes of the Company's General Assembly meetings for the past 10 years are also accessible in the Investor Relations section of the Company website at [www.pinar.com.tr](http://www.pinar.com.tr).

At the Company's General Assembly meetings, information was presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period. This matter was addressed as a separate agenda item. An upper limit was set for the donations to be made during 2016 at the meeting. The Company has also generated a Donations Policy to be submitted to the approval of 2015 Ordinary General Assembly and issued it on its web site.

### 2.5. Voting Rights and Minority Rights

Article 8 of the Company's articles of incorporation grants the following privilege regarding nominations to the Board of Directors:

"Should the Board of Directors be constituted of five members, three of them shall be elected from among the nominees indicated by Group A shareholders, one member each shall be elected from among the nominees indicated by Group B and Group C shareholders. In case the Board consists of seven members, four of them shall be elected from among the nominees indicated by Group A shareholders, two members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders. In case the Board consists of nine members, five of them shall be elected from among the nominees indicated by Group A shareholders, three members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders.

Managing member(s) can be selected if decided accordingly by the Board of Directors. However, Board Chairperson and managing member(s) are selected among the candidates nominated by Group A shareholders."

The Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. With respect to the exercise of voting rights, the Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Article 23 of the Company's articles of incorporation, which governs the exercise of voting rights, reads as follows:

"Save for the votes to be cast in the Electronic General Meeting System, voting is conducted through open ballot and by raising hands during a General Assembly meeting. However, upon demand by those possessing at least one-tenth of the capital which shareholders present at a meeting represent, recourse must be had to secret ballot. CMB rules pertaining to proxy voting are reserved."

There are no other companies in which the Company has a cross-ownership. Minority rights are not represented on the Board of Directors. The articles of incorporation do not set minority rights to be less than one twentieth of the capital.

### 2.6. Dividend Rights

Company decisions on profit distribution are based on the Turkish Commercial Code, Capital Markets Regulations, Tax Regulations and other applicable legislation as well as the profit distribution clause of the articles of association and a consistent policy balanced between the benefits of the shareholders and the Company in line with the CMB Corporate Governance Principles is applied.

The Company's annually reviewed policy for profit distribution is to pay out cash dividends and/or bonus shares corresponding to minimum 20% of the distributable profit for the period, which is calculated in accordance with the capital market regulations and other applicable legislation, taking into consideration the economic conjuncture, market projections, the Company's long-term strategies and long-term investment and financing policies, the Company's financial position, profitability and cash position, to the extent allowed by relevant regulations and finances.

Unless decided otherwise on profit distribution in the relevant general assembly meeting, the profit distribution is intended

to be realized in May of the year of the relevant general assembly meeting, the latest, and the date of profit distribution is decided by the General Assembly. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations.

The Company's Articles of Incorporation permit distribution of advances on dividends, and the Board of Directors may decide to distribute advances on dividends restricted to the relevant fiscal year, provided that it is authorized by the General Assembly of Shareholders and in accordance with the Capital Markets Regulations.

The Company's Dividend Policy for 2013 and thereafter, which was formulated in line with the capital market legislation, has been laid down for approval at the 2013 Annual General Assembly Meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website.

The Company's 2015 profit distribution was completed on May 31, 2016.

### **PART III - PUBLIC DISCLOSURES AND TRANSPARENCY**

#### **3.1. Corporate Web Site and Its Content**

The Company's corporate website ([www.pinar.com.tr](http://www.pinar.com.tr)) contains all the matters as required by Corporate Governance Principles. The Company's website is available in both Turkish and English. The Company continuously improves and upgrades the services provided by its website, which is actively used.

#### **3.2. Annual Report**

The Company's annual reports contained all the information specified in the Corporate Governance Principles; however, remuneration of the board of directors and senior executives and other benefits provided to them individually were not disclosed. Benefits provided to the executives are provided as a cumulative amount.

### **PART IV - STAKEHOLDERS**

#### **4.1. Informing Stakeholders**

Stakeholders are kept informed about all matters concerning the Company other than those which are considered a trade secret through CMB material disclosures within the framework of CMB regulations, Turkish Commercial Code, Competition Law, Tax Laws, and Turkish Code of Obligations.

Stakeholders are able to convey any transaction they consider to be illegitimate or unethical to the Corporate Governance Committee or the Audit Committee via Yaşar Group Ethics Committee. The Audit Committee reviews the complains received regarding the Company's accounting and internal control system and independent audit, and handles the notifications of company employees in relation to the Company's accounting and independent audit, observing the confidentiality principle. Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 4.2 herein below.

#### **4.2. Stakeholders' Participation in the Company's Management**

A customer relationship management system has been set up with the aims of strengthening customer communication, satisfying customer needs and expectations, and increasing customer satisfaction. This system makes it possible to maximize customer satisfaction by listening to and understanding what customers say. Customer audits are successfully carried out, as are chain store audits.

Customer requests and complaints received by Pınar Communication Center (PIM) through 444 76 27 are responded to, and information is provided to consumers on the topics conveyed as soon as possible. PIM Twitter account serves to review the requests and suggestions received via the social media, upon which the team gets back to the consumers. PIM service quality and the satisfaction of consumers with which PIM interacts are measured at regular intervals by means of polls. During producer training meetings, information is provided on livestock health, hygiene and correct milking practices, continuance of the herd, ensilaging and important considerations during ensilaging, harmful substances that can be contained in fodders and control thereof.

Existing and potential suppliers are visited and inspected in line with the annual schedule. Class A suppliers are identified and certified.

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Technical training programs are offered to Regional Sales Directorates, which address technical properties of the products, and their superior qualities over similar products. Training sessions are organized to provide guidance on how to satisfy customer needs and expectations in a technical sense. The Company assesses the feedbacks received from these meetings.

Aware that high levels of employee motivation and loyalty create a significant advantage in achieving success more quickly, Pinar Süt has been soliciting feedback from its personnel through employee opinion surveys that have been conducted regularly every other year since 1998. In 2015, the Employee Opinion Survey was turned into an online application covering all employees at the Group. These surveys are used as a key tool whereby employees are able to provide feedback to the Company management.

Average training time per employee at Pinar Süt in 2016 was 15.7 hours, with total training time amounting to 18,332 hours.

### 4.3. Human Resources Policy

The fundamental mission of the Company's human resources policy is to ensure the management of human resources who are innovative, who are committed to the principle of total quality, and who contribute towards the Company's competitive advantage by easily adapting to change and development at the Company. The Company did not receive any complaints about discrimination as of 2016.

The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all non-contract employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Human resources policies and practices pertaining to employees who are covered by collective bargaining agreements are spelled out in such agreements. Job descriptions are devised for all of the Company employees. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

#### Basic policies:

- a) Staffing at the Company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.
- b) The Company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.
- c) The Company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the Company's own personnel.
- d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.
- e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.
- f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.
- g) Employee Opinion Surveys are conducted once in two years, seeking employees' views about the working environment, development and career, salaries and fringe benefits, job satisfaction, managers, engagement, corporate reputation, corporate structure and management policies.  
Improvements are made in line with the feedback that is received in this way.
- h) A safe workplace and safe working conditions are a matter to which the Company gives great importance. Under the Company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.
- i) Our management style is "... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management."
- j) An essential principle at the Company is that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. Due measures have been taken to protect this fundamental constitutional right of employees.  
There are five workplace representatives at Pinar Süt (three at Pınarbaşı plant and two at Eskişehir plant).

At Izmir Plant: Günay Aslan - Milk Powder Manufacturing Foreman, Cumhuriyet Aşkın – Process Machines Foreman, Arzu Pehlivan – Cheese Packager

At Eskişehir Plant: Erdoğan Yörüksoy - Tetrapak Operator, Tuncay Özdemir - Machinery Maintenance Foreman.

The duties of these representatives are to,

- a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace,
- b) Ensure continued labor peace through worker-employer cooperation and labor fairness,
- c) Are mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

All employees are kept informed about company procedures, organizational changes, changes in rights and benefits, and other practices and decisions that may affect them by means of regulations and announcements prepared within the framework of the Company's prescribed announcement regulations as well as via the Company intranet and bulletin boards.

#### 4.4. Rules of Ethics and Social Responsibility

In order to fulfill its responsibilities related to public health and the nature, the Company has made it a principle to continually oversee and improve its environmental performance, while integrating with its manufacturers, suppliers and employees in the conduct of its production activities.

The Company seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through Pinar art competitions, Pinar children's theater, sponsorship of Pinar Karşıyaka basketball team, farmer training programs, its newspaper Pinar, and its magazine Yaşam Pınarım.

The Company supports education by collaborating with organizations such as Yaşar University and Yaşar Education and Culture Foundation.

Headquartered at the campus of Yaşar University, Pinar Institute was founded in order to contribute to the development of a healthy society by engaging in research, supporting such research and education, publishing the results of such activities, and involving itself in similar endeavors.

"Consumer Perceptions Of Milk And Dairy Products: The Impact Of Media Misinformation" is a project being conducted jointly by Pinar Institute and Yaşar University Faculty of Communication. The project, which is being carried out under TÜBİTAK 3001 Initial R&D Projects Support Program, is looking into consumers' notions about milk and dairy products.

"The Future Of Our Milk Is In Good Hands" project developed to educate raw milk producers on animal health, nourishment, hygiene, and sanitation was launched in Tire, Ödemiş, Eskişehir, Kütahya, Denizli and Uşak in 2016. The Project reached to total 5,800 producers since start-up and deserved to receive Sustainability Award among the first 3 projects at Yaşar Community Sustainability Competition in 2016.

"Let's Move with Joy and Diet Healthy" project was conducted the first pilot program in 2016 in line with the protocol signed with Izmir Provincial Directorate of Education with entirely renewed content and new education materials, as realized by Pinar Institute to grow healthy individuals and raise awareness for nourishment from young ages. The education program started with "Training of Trainer" is applied to 20 independent kindergartens in Izmir city giving education to children from 36 to 66 months.

After "Play and Education Tools for Healthy and Balanced Dieting Project" conducted with collaboration of Pinar Institute and Yaşar University Industrial Design Department, 4 play and education tool designs are sustained as Scientific Research Project (BAP). The new design as different from the said designs is to re-interpretation of Food Pyramid made of woven felt to have different areas of use. The end product is aimed to be used as education material under "Let's Move with Joy and Diet Healthy" project.

Pinar Institutes Bulletins are issued since last year to create awareness on food, health and nutrition. The quarterly bulletin reaches all Yaşar Group employees. The bulletin published quarterly, is sent to all employees within Yaşar Group.

The Company conducts its activities within the framework of values which are adhered to by Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all company employees. A summary version of Yaşar Group Rules of Ethics is posted on the Company's website.

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### PART V - BOARD OF DIRECTORS

#### 5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name Surname	Title	Whether or Not Independent Member	Whether or Not Executive Member	Term
İdil Yiğitbaşı	Chairman	Not Independent Member	Not Executive	1 Year
Emine Feyhan Yaşar	Vice Chairman	Not Independent Member	Not Executive	1 Year
Mustafa Selim Yaşar	Member	Not Independent Member	Not Executive	1 Year
Ali Yiğit Tavas	Independent Member	Independent Member	Not Executive	1 Year
Yılmaz Attila	Independent Member	Independent Member	Not Executive	1 Year
Cengiz Erol	Member	Not Independent Member	Not Executive	1 Year
Yılmaz Gökoğlu	Member	Not Independent Member	Not Executive	1 year

Gürkan Hekimoğlu serves as the Company's General Manager. The engagement of company directors in the activities set forth in Articles 395 and 396 of the Turkish Commercial Code is subject to the approval of the General Assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what Board directors may do and external positions held, if any, are stated in their résumés covered in annual reports. Members of the Board of Directors of our company, which is affiliated to Yaşar Group, may hold seats on the boards of directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the general assembly meeting of each relevant company.

The General Manager's resume is provided in the Company's annual report, and the resumes of Board of Directors Members are given both in the Company's annual report and also on the corporate website. In accordance with the Capital Market legislation, independent Board directors have submitted their declarations of independence to the Corporate Governance Committee that acts as the Nomination Committee and the declarations were published in the annual report.

Two independent member candidates were presented for 2016 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and resumes of these individuals have been discussed in the Corporate Governance Committee meeting of March 29, 2016 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent members. No situations arose that prejudiced independence as of 2016 operating period. There are 2 women members on the board of directors. Hence, the Company has secured a ratio of not less than 25% with respect to the number of women members on the board of directors.

#### 5.2. Operating Principles of Activity of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in Article 10 of the Company's articles of incorporation. Accordingly;

"The Board of Directors shall convene as the Company's affairs and operations may require. However, the Board must meet at least monthly.

Board of Directors meetings are convened with a majority of its full membership and decisions are passed with a majority of those present in the meeting."

The agenda for the Board of Directors meetings are set by the Chairperson of the Board, in consultation with the other Board directors and the General Manager.

The details of the 2016 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 53 times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The agenda of the meeting is sent to the members minimum two weeks prior to the date of the meeting. Usually, all members attend the meetings. There were no unresolved disputes over issues during the 2016 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. An insurance coverage has been obtained

for losses that the Company may sustain by reason of the faults committed by the Board of Directors members during the performance of their duties.

### **5.3. Number, Structure and Independence of the Committees Established under the Board of Directors**

The Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been set up at the Company. The Corporate Governance Committee fulfills the duties of the Nomination Committee and the Remuneration Committee. When performing their activities, the committees under the Board of Directors adhere to the operating principles that are posted also on the Company website.

The Audit Committee is headed by Ali Yiğit Tavas and its other member is Yılmaz Attila. Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from company executives and findings related to the audit from independent auditors. The Committee oversees the operation and efficiency of the Company's bookkeeping system, public disclosure of financial information, independent audit and internal control system. The Audit Committee also supervises the designation of the independent audit firm, drafting of the independent audit agreement, initiation of the independent audit process, and the activities of the independent auditor.

The Committee reports on the fairness and accuracy of annual and interim financial statements that will be publicly disclosed to the Board of Directors.

Corporate Governance Committee Chairperson is non-executive independent board member Yılmaz Attila, Committee Members are nonexecutive board members Cengiz Erol and Yılmaz Gökoğlu and Investor Relations Department Manager is Gökhan Kavur. Corporate Governance Committee meets at least four times a year, held at least on a quarterly basis. The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles. The Committee proposes improvement actions to the Board of Directors. Corporate Governance Committee oversees the activities of the Investor Relations Department.

Within the scope of the duties of the Nomination Committee, the Corporate Governance Committee works to create a transparent system to deal with the matters of identifying, evaluating, training, and rewarding candidates suitable for board membership and to establish policies and strategies applicable to that system. In addition, the Committee evaluates the nominations for independent Board membership including the management and shareholders, taking into consideration whether the candidate bears the independence criteria or not, and presents its relevant assessment to the Board of Directors for approval.

Within the scope of the duties of the Remuneration Committee, the Corporate Governance Committee formulates its proposals regarding the principles for compensating the Board directors and senior executives, in view of the long-term goals of the Company.

The Early Detection of Risk Committee is responsible for early detecting the risks that may endanger the existence, development and survival of the Company, taking necessary measures for the identified risks, and managing the risks. The Committee is headed by Ali Yiğit Tavas, a non-executive and independent board member, and its members are Cengiz Erol and Yılmaz Gökoğlu, non-executive board members.

According to the Corporate Governance Principles, all members of the Audit Committee, and the heads of Early Detection of Risk Committee and Corporate Governance Committee must be independent Board members. The Manager of the Investor Relations Department was assigned as a member to the Corporate Governance Committee by the Board of Directors. Since there are two independent members on the Company's Board of Directors, the same member serves on more than one committee under the Board of Directors.

Upon assessment held by Company's Board of Directors, it was determined that all committees of the company are created in accordance with the legislation, activities were effectively conducted in line with working principles created before and published in the Company's web site, periodically enough number of meetings was held during the year and as a result



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of such meetings; the Audit Committee provided efficiency of auditing company's accounting system and financial details and disclosing them to public and submitted their views, suggestions about this matter to board of directors regularly, that Corporate Audit Committee concluded determinations on strengthening the compliance to Corporate Management Principles and submitted to board of directors with their recommendations, that Early Detection of Risk Committee reviewed early warning systems and models for risks and determined risks.

### **5.4. Risk Management and Internal Control Mechanism**

The Board of Directors essentially supervises risk management and internal control activities through the Early Detection of Risk Committee. In its fulfillment of these functions, the Early Detection of Risk Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

### **5.5. Strategic Targets of the Company**

The Board of Directors sets the Corporate Strategy and Goals in line with the Company's vision and growth and profitability expectations. The principles that will steer these strategies are determined by the senior management and the extent at which the goals are achieved are assessed in the monthly meetings, along with the activities and past performance.

### **5.6. Financial Benefits**

The rights provided to the Board directors are decided at the General Assembly meetings and are publicly disclosed through the minutes of the meetings issued. The Remuneration Policy that describes the remuneration system and implementations for the Company's Board Members and executives with administrative responsibility is available on our website. The Company's annual reports do not present the rights provided to senior executives on an individual basis, but state a cumulative amount.

The Company does not lend money, extend credit, or make available loans under the name personal loans via a third party to any of its directors or executives, nor does it provide guarantee in their favor.