

# Active Committees and an Assessment by the Board of Directors

Corporate Governance Committee, Audit Committee and Early Detection of Risk Committee have been set up to facilitate effective and transparent execution of the Board of Directors' duties and responsibilities, in alignment with the obligations imposed by applicable legislation.

Pursuant to Article 4.5.1 of the Communiqué Serial: IV No: 56 on Determination and Implementation of Corporate Governance Principles enforced upon its publication in the Official Gazette issue 28158 dated 30 December 2011, the Corporate Governance Committee, which has been set up based on the Board of Directors decision no 353/1 dated 14 March 2005, also functions as the Nomination Committee and the Remuneration Committee.

In the Board of Directors Meeting held on 23 June 2014, operating principles of the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee, which have been identified within the scope of the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué no. II-17.1, have been defined and publicly disclosed.

Our committees carry out their activities in line with regulatory requirements, target to ensure that the Company's overall conduct and practices are executed in a fashion that is structured, efficient and transparent, keep the Board of Directors informed on material developments in a timely manner and as necessary, and observe strict harmony and coordination with the executive officers of the Company in their activities. Information on the objectives, members, structures and activities of the committees is presented below.

## **CORPORATE GOVERNANCE COMMITTEE**

### **Objectives**

To monitor the Company's compliance with corporate governance principles and to engage in activities and make recommendations to the Board of Directors to improve such compliance.

### **Members**

Şebnem Ergün, Attorney-at-Law & Mediator, Independent Director (Committee Head)

Kemal Emre Sayar, Director (Committee Member)

Necdet Cem Özcan (Committee Member)

### **Structure**

The Corporate Governance Committee will be formed of at least two members to be elected from among Board Directors and the Investor Relations Unit Manager.

The members will elect the head of the committee from among themselves. The head of the committee is elected from among independent Directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the number of committee members elected from among Board Directors is two, then both of them must be non-executive directors; if such number is greater than two, then the majority of the members must be non-executive directors. The CEO may not serve on this committee.

The Investor Relations Department/Unit Manager must be a full-time employee of the Company and must be assigned as a member of the Corporate Governance Committee.

A member's term of office on the Corporate Governance Committee is terminated when his/her term of office on the Board of Directors expires.

### **Activities**

The committee performs the following duties and responsibilities with respect to corporate governance:

- The Corporate Governance Committee establishes whether the corporate governance principles are implemented in the Company, as well as the grounds for non-implementation, if applicable; identifies conflicts of interest, if any, arising from failure to fully comply with these principles, and presents proposals to the Board of Directors for the improvement of corporate governance practices;
- The committee oversees the activities of the Investor Relations Department. Within this context, the committee sets and regularly reviews the basic principles for the Company's communication with investors;
- The Corporate Governance Committee works in cooperation with the Investor Relations Department to present suggested improvements for ensuring efficient communication between the Company and shareholders, and elimination and resolution of potential conflicts to the Board of Directors.
- The committee reviews the Company's Corporate Governance Compliance Report before it is published within the Company's Annual Report, and presents its comments to the Board of Directors.

- The committee makes proposals and assessments regarding the determination or revision of the Company's disclosure policy, and presents the same to the Board of Directors. The committee reviews that the Disclosure Policy covers the minimum content as stipulated by the legislation with respect to the Company's communication with stakeholders, as well as the scope, quality, consistency and accuracy of documents, presentations and explanations prepared by the Company for informative purposes, and oversees that the same are developed in accordance with the Disclosure Policy;
- The committee carries out activities to ensure that the corporate governance culture is established within the Company, and is espoused by managers and employees working at any level. The committee follows up the developments related to corporate governance in and out of Turkey, and examines their possible implications for the Company.
- The duties and responsibilities of the Corporate Governance Committee with respect to nomination are presented below:
  - Creation of a transparent system regarding identification, assessment, and training of nominees eligible for the Board of Directors and managerial positions with administrative responsibility, and establishing the related policies and strategies;
  - Regular evaluation of the structure and efficiency of the Board of Directors and presentation of its suggestions for possible revisions to the Board of Directors;
  - The committee is charged with performing the duties set out in the legislation concerning the nomination of independent members to the Board of Directors, which are announced every year by the Board and which are compulsory to be implemented by the Group to which the Company is affiliated.
- The committee's duties and responsibilities with respect to remuneration are presented below:
- Setting and overseeing the principles, criteria and practices applicable for the remuneration of Board Directors and executives with administrative responsibility, taking into consideration the Company's long-term targets;
- Presenting its suggestions regarding the remuneration to be paid to Board Directors and executives with administrative responsibility, which will be determined in

view of the extent the remuneration criteria have been achieved;

- Developing suggestions and assessments for the formulation and revision of the Company's remuneration policy, which sets out the remuneration principles for the Board Directors and executives with administrative responsibility, and presenting its opinions to the Board of Directors. The Corporate Governance Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

## **EARLY DETECTION OF RISK COMMITTEE**

### **Objectives**

To early detect the risks that might endanger the existence, progress and survival of the Company, implement necessary measures and remedies in relation to the identified risks, and manage the risk.

### **Members**

Erda Gerçek, Independent Director (Committee Head)

Kemal Emre Sayar, Director (Committee Member)

### **Structure**

The Early Detection of Risk Committee consists of a minimum of two members to be elected from among the Board Directors.

The members will elect the head of the committee from among themselves. The head of the committee is elected from among independent Directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the committee is formed of two members, then both of them must be non-executive Directors; if such number is greater than two, then the majority of the members must be non-executive Directors. The CEO may not serve on this committee.

A member's term of office on the Early Detection of Risk Committee is terminated when his/her term of office on the Board of Directors expires.

### **Activities**

- The Early Detection of Risk Committee works to early detect the risks that might endanger the existence, progress and survival of the Company, to ensure necessary measures are adopted in relation to the identified risks, and to manage the risk.

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- The committee informs the Board of Directors of its suggestion and comments in writing regarding the creation and development of the Company's risk management system, which will be aimed at minimizing the impact of risks that might affect the shareholders in particular and all stakeholders in general.
- The committee reviews the Company's risk management systems at least on an annual basis.
- The Early Detection of Risk Committee oversees that risk management practices are carried out in accordance with the decisions of the Board of Directors and the committee;
- The committee reviews the determinations and assessments about risk management that will be incorporated in the Company's annual report.
- The Early Detection of Risk Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

## AUDIT COMMITTEE

### Objectives

To monitor the operation and effectiveness of the Company's accounting system, public disclosure of financial information, and process of independent auditing.

### Members

Dr. M. Rafet Akgünay, Independent Director (Committee Head)

Dr. Ahmet D. Erelçin, Independent Director (Committee Member)

### Structure

The Audit Committee consists of a minimum of two members to be elected from among the Board Directors.

The members will elect the head of the committee from among themselves.

All members of the committee are elected from among independent Directors.

To the extent possible, at least one member of the Audit Committee should preferably have minimum five years of experience in audit/accounting and finance.

A member's term of office on the Audit Committee is terminated when his/her term of office on the Board of Directors expires.

### Activities

The duties and responsibilities of the Audit Committee are presented below:

- The Audit Committee oversees the operation and efficiency of the Company's accounting system, public disclosure of financial information, independent auditing, internal control and internal audit systems.
- The Audit Committee supervises the selection of the independent audit firm, preparation of independent audit contracts and initiation of the independent audit process, and every phase of the work carried out by the independent audit firm.
- The Audit Committee determines the independent audit firm from which the company will procure services and the services to be supplied therefrom, and submits the same for the approval of the Board of Directors.
- The Audit Committee establishes the methods and criteria for the handling and resolution of complaints received by the Company in relation to the Company's accounting, internal control and internal audit systems and its independent audit; and for addressing the Company employees' notifications about the Company's accounting and independent audit within the frame of confidentiality principle;
- The Audit Committee assesses the conformity of annual and interim financial statements to be publicly disclosed to the accounting principles pursued by the Company, as well as their accuracy and fairness, and reports its written assessments to the Board of Directors, by incorporating the opinions of the Company's responsible managers and of the independent audit firm.
- The Audit Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.
- During the period 1 January 2018-31 December 2018, the Audit Committee presented five notifications to the Board of Directors.