

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

**TÜRKİYE PETROL RAFİNERİLERİ A.Ş.  
CORPORATE MANAGEMENT COMMITTEE  
MEETING DATE: 01.03.2017  
SUBJECT: ASSESSMENT OF  
CORPORATE GOVERNANCE PRINCIPLES  
COMPLIANCE REPORT**

## SECTION I: DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Tüpraş ("Company") pays utmost attention to comply with the corporate governance principles issued by the Capital Markets Board in four main topics. Being aware of the importance of the confidence and consistency in the eye of its shareholders and investors in particular, Tüpraş is one of the first companies included in the BIST Corporate Index as of October 8, 2007. Accordingly, Tüpraş has adopted the concepts of equality, transparency, accountability and responsibility that are stipulated in the Corporate Governance Principles issued by the Capital Markets Board.

As a result of the evaluation made by the international rating company SAHA Kurumsal Yönetim ve Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Rating Services Inc.) which has license to make rating in Turkey in accordance with the Capital Markets Board's Corporate Governance Principles, Tüpraş's rating was revised as 94.15 in October 2016. The details of the corporate governance rating is as follows.

Corporate Governance Rating Report is available on the Company website [www.tupras.com.tr](http://www.tupras.com.tr).

All activities of our Company are carried out in compliance with the legal regulations and the "Corporate Governance Principles" issued by the Capital Markets Board.

## Activities Carried Out within the Period for Complying with the Principles

In 2016, full compliance was achieved with great majority of the compulsory principles stipulated within the scope of the Corporate Governance Communiqué (n.II-17.1) in force while compliance was also achieved with most of the non-compulsory principles. Although the aim is to fully comply with the non-compulsory Corporate Governance Principles, full compliance has not yet been achieved due to reasons such as; difficulties in practicing some of the principles, discussions going on about complying with some of the principles both in our country and on international platforms, and incompatibility of some of the principles with the current structure of the market and the Company. Action is taken regarding the principles that are not yet put into practice while the plan is to put these principles into practice after completing the administrative, legal and technical infrastructure procedures in a manner that will contribute to effective management of our Company.

In 2016; compliance with the Capital Markets Board's Corporate Governance Principles and the Capital Markets Law and communiqués issued based on this Law was at the top of the list of activities carried out in the field of corporate governance. At the Ordinary General Assembly held in 2016, the process of determining and publicly disclosing the Independent Member candidates was finalized while the election was completed in accordance with the regulations. Our Board of Directors and the Committees of our Board of Directors were established in accordance with Corporate Governance Communiqué regulations. The Committees established under the Board of Directors continue their activities effectively. With the information document issued for the General Assembly, the issues that must be publicly disclosed as per the Corporate Governance Principles such as; privileged shares, voting rights, résumés of the candidate members of

MAIN TOPICS	WEIGHT	OCTOBER 2016 RATING
Shareholders	0.25	95.51
Public Disclosure and Transparency	0.25	92.55
Stakeholders	0.15	97.66
The Board of Directors	0.35	92.80
<b>TOTAL</b>	<b>1.00</b>	<b>94.15</b>

the Board of Directors', Remuneration Policy for the Board of Directors and Executives, necessary reports that must be issued regarding the related party transactions, and other information that must be disclosed, were presented to the information of the investors 3 weeks before the General Assembly. Furthermore, the corporate website was renewed, and the Annual Report format was reviewed. As a consequence, necessary revisions were made in terms of fully complying with the principles.

Considering the current situation, 4 of the 15 members of the Board of Directors meet the independence criteria specified in the Corporate Governance Principles. In addition to this; Although the member who is the representative of the Privatization Authority does not meet the following criteria "not working fulltime in public institutions and organizations after getting elected as a member", he was attributed as an independent member with the approval of the Capital Markets Board. Relevant committee decision and the résumés of the candidates are included in the committee reports which are available on the Company website.

#### Reasons for Not Practicing Corporate Governance Principles

Within the activity period between the 1<sup>st</sup> of January 2016 and 31<sup>st</sup> of December 2016, our Company has complied with the "Corporate Governance Principles" issued by the Capital Markets Board - except for a number of principles specified full compliance was achieved with the compulsory principles while compliance non-compulsory principles, which are described below. There are no conflicts of

interest arising from the following issues that cannot be practiced. The Corporate Governance Committee of the Company continues its activities of developing corporate governance practices.

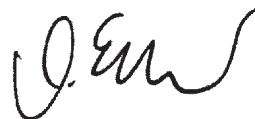
- Regarding the voting right privilege stipulated in principle n.1.4.2; the regulations specified in the Articles of Association are given in section n.2.4. below.
- Regarding the principle n.1.5.2, minority rights are not given to persons who have less than one twentieth of the capital as per the Articles of Association while rights are given to such persons within the framework of the general regulations in the legislation.
- Although there is no provision in the Articles of Association regarding the stakeholders' participation, as stipulated in principle n.3.2.1, in the Company management, models and mechanisms were established to support stakeholders' participation in the Company management, as specified in section n.4.2. of the report. Our Company takes into consideration not only employee, supplier and customer satisfaction surveys, but also considers the opinions and suggestions of social organizations and all other stakeholders.
- Regarding the principle n.4.3.9; our Company has not yet determined a target ratio and timeframe for female members in the Board of Directors. Assessments on this issue continue. Detailed information on this issue is available in section n.5.1. below.
- Regarding the principle n.4.4.7; members of the Board of Directors are not restricted to assume other tasks/ roles outside the Company as explained in section n.5.1. below.

- Regarding the principle n.4.5.5; members are appointed to the committees within the framework of the relevant regulations considering the knowhow and experience of the members of our Board of Directors whilst some members of our Board of Directors are appointed to more than one committee. Members who are appointed to more than one committee, enable communication between the committees working in related issues and increase the possibilities of cooperation.
- Regarding the principle n.4.6.5; payments made to the members of the Board of Directors and executives are publicly disclosed on total basis in parallel to the general practices. Company's Remuneration Policy was printed on paper, and presented to the shareholders' information as a separate agenda item at the General Assembly meeting while shareholders' opinions were received on this issue. As specified in the Remuneration Policy; Payment plans based on the performance of the Company cannot be used in remuneration of the Independent Members of the Board of Directors.

Our Corporate Governance Principles Compliance Report covering 2016 activity period, under four main topics; "Shareholders", "Public Disclosure and Transparency", "Stakeholders" and "The Board of Directors", is available below for your information, including the practicable and impracticable aspects of the mentioned principles.



**KUTSAN ÇELEBİCAN**  
CHAIRMAIN



**YAĞIZ EYÜBOĐLU**  
MEMBER



**DOĐAN KORKMAZ**  
MEMBER

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## SECTION II: SHAREHOLDERS

### 2.1. Investor Relations Department

Investor Relations Department was established in 2000 in order to oversee the process of public offering of the Company shares and privatization of government's shares. Investor Relations Reporting Directorate carries out activities in order to provide current and potential investors with correct, prompt, and consistent information about the Company, to increase the Company's brand-awareness and credibility, to make sure that Corporate Governance Principles are practiced, and to provide bilateral communication between the Board of Directors and Capital Market Participants.

Within this framework, Investor Relations and Reporting Directorate presents a report to the Corporate Governance Committee at least once a year - to be submitted to the Board of Directors - about the activities it carries out. The report regarding 2015 activities, was submitted by the Corporate Governance Committee to the Board of Directors

on the 19<sup>th</sup> of February 2016, and was assessed by the Board of Directors on the 9<sup>th</sup> of March 2016.

In 2016, more than 455 meetings were held with national and international, corporate and individual investors, shareholders and analysts about the Company's activity results, performance and other developments within the period. Furthermore, representatives of our Company attended 10 conferences within the scope of conferences and other meetings held in and outside the country to provide information to shareholders and investors.

Teleconference was organized on the date of announcing the results regarding the quarterly financial reports, and moreover, financial reporting and public disclosures required by the legislation regarding the Company was issued in Disclosure of Material Matters format, and announced via Public Disclosure Platform ([www.kap.com.tr](http://www.kap.com.tr)). General Assembly meetings were held in conformity with the legislation, the Articles of Association and other

internal directives of the Company while documents were issued for shareholders to make use of at the General Assembly meetings. Furthermore, these documents were made available on the Company website for investors' information three weeks prior to the General Assembly.

Via Tüpraş website where utmost attention is paid to cover all up-to-date information about the Company, information was provided to the public and the shareholders as the relations with the rating companies were coordinated. Moreover, at the meetings made throughout the year the Board of Directors was informed about the relative stock performance, benchmarking data, ratio analyses and analyst comments.

Board of Directors was informed about the relative share performance, peer group comparisons, ratio analyses and analyst comments. Investor Relations and Reporting Director has Capital Market Activities Advanced Level License and Corporate Governance Rating Specialists License.

## EMPLOYEES WHO ARE RESPONSIBLE FOR STAKEHOLDER RELATIONS ARE LISTED BELOW

NAME/SURNAME	TITLE	E-MAIL ADDRESS	PHONE NUMBER
Doğan Korkmaz	CFO	Dogan.Korkmaz@tupras.com.tr	(262) 316 31 09
Tuncay Önbilgin	Director	Tuncay.Onbilgin@tupras.com.tr	(262) 316 30 85
Deniz Köseoğlu	Financial Reporting Manager	Deniz.Koseoglu@tupras.com.tr	(262) 316 30 86
Deniz Değirmenci	Investor Relations Manager	Deniz.Degirmenci@tupras.com.tr	(262) 316 32 75
Fettane Sayın	Coordinator	Fettane.Sayin@tupras.com.tr	(262) 316 32 72
Mehmet Eder	Coordinator	Mehmet.Eder@tupras.com.tr	(262) 316 32 73
Merve Savaşlıoğlu Kan	Coordinator	Merve.Savaslioglu@tupras.com.tr	(262) 316 32 70
Çetin Karaca	Chief	Cetin.Karaca@tupras.com.tr	(262) 316 32 74
Filiz Derman	Chief	Filiz.Derman@tupras.com.tr	(262) 316 32 69

Investor Relations and Reporting Directorate runs under CFO Doğan Korkmaz. CFO, Investor Relations and Reporting Director has Capital Market Activities Advanced Level License and Corporate Governance Rating Specialists License.

## 2.2. Shareholders' Right to Information

No distinction is made between all shareholders, potential investors and analysts as regards the exercise of their right to information, inspection and all information, except those involving commercial secrets, are shared with shareholders on Information Policy.

In accordance with the communiqué of the Capital Markets Board, the Disclosures of Material Events (DME) made to Public Disclosure Platform, financial statements and other information about the Company is conveyed in electronic medium, with electronic signatures.

Questions addressed to the Investor Relations department were answered (except confidential information and trade secrets) either verbally or in writing after discussing the issue addressed in the question with the top level person.

Appointing a private auditor is an individual right specified in the Tüpraş Articles of Association. However, as per the 438<sup>th</sup> Article of the Turkish Code of Commerce, every shareholder may request the General Assembly to clarify certain cases through private audit in case this is necessary for using shareholders' rights, even if the right to information or review is used before, and even if it is not on the agenda. Shareholders have not communicated such requests to the Company so far. In addition to the internal audits made at the Company, Company activities are audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member of Ernst & Young Global Limited), the Independent External Audit Company that is approved by the General Assembly.

## 2.3. General Meetings

General Meetings are organized to provide sufficient information to shareholders and ensure their attendance, as per Turkish Commercial Code, Capital Markets Law, General Assembly Internal Directive and Corporate Governance Principles.

The Ordinary General Meetings are held at the end of every fiscal period, as soon as possible, with a maximum delay of

three months. The Company held its 56<sup>th</sup> Ordinary General Meeting on April 4, 2016 for the year 2015. Shareholders representing 77.98% of all shares attended the meeting. During the General Meeting, the shareholders used their right to pose questions; apart from the items on the agenda, no other proposals were made.

General Meeting sessions are also open to public. Stakeholders and media can monitor the meetings. General Meetings are supervised by a Government Inspector authorized by the Ministry of Customs and Trade.

Invitations to the General Meeting are issued by the Board of Directors, according to the Turkish Commercial Code, Capital Markets Law and Articles of Association. Meeting date, place and information about the agenda items in line with the decision taken by the Board of Directors to organize a General Assembly, are announced to the shareholders via Disclosure of Material Matters made, in conformity with the procedures within the framework of the general provisions, on the Public Disclosure Platform, and via Electronic General Assembly System (EGKS)

Before the General Meeting, an information sheet is prepared listing all the items on the agenda; it is issued to the public complying with legal processes and legislation. In line with agenda items for the General Meeting, financial statements and reports including the annual report with the audited figures, corporate governance compliance report, profit distribution proposal, independent external auditing reports and legal auditor's report, information sheet for the General Meeting agenda items and other documents providing the basis for the agenda, the final version of Articles of Association and any amendments to the Articles of Association, Information Policy, Remuneration Policy, Profit Distribution Policy, all the CVs of the Board of Directors including independent members, and other documents providing the basis for the agenda are made available to shareholders at the Head Office and branches and via the corporate website, after the publication of the notice for the General Meeting, before three weeks to the General Meeting. While determining the agenda of the Ordinary General Assembly meeting, shareholders have not communicated any issues to the Company's Investor Relations Department in writing, and have not requested any issues to be included on the agenda.

In order to facilitate the attendance to the meetings, our General Assembly meetings are held at the Company Headquarters and in the Electronic General Assembly System. The location of the General Meeting is chosen so as to enable the participation of all shareholders. The agenda items of the General Meeting are written in a clear and unequivocal way and allows for the discussion of each proposal under a separate section. At the latest General Meeting, shareholders made no demands concerning the agenda. During the General Meeting, the agenda items are conveyed to shareholders in an impartial, detailed, clear and comprehensible fashion, shareholders are given the chance to express their opinions and pose questions under equal terms. Questions asked by the shareholders and the audience and members of the press attending the General Assembly Meeting, are evaluated and necessary explanations are made by our Members of the Board of Directors and top executives within the framework of the procedures and principles stipulated in the Turkish Code of Commerce. Questions that are irrelevant to the agenda or require a comprehensive response, which cannot be provided immediately, are answered in writing by the Investor Relations Department within 15 days at the latest. All questions submitted after the General Assembly meeting and the answers to these questions are posted on the website within 30 days after the date of the General Assembly. Questions asked by those who attended the General Assembly Regarding 2015, were answered within this scope.

In the General Meeting, at least one Board member, one auditor, one of the officers responsible for the preparation of the financial statements, as well as one officer informed about the agenda items ready to make explanations was present. In case of the absence of any one of these people, their excuse for absence is presented to the General Meeting.

For those who will be represented by proxy; power of attorney samples are published for the use of the shareholders via newspaper ads and on the website before the General Assembly meeting. Voting methods/procedures that will be applied in the meeting are submitted to the information of the shareholders via newspaper ads and on the website. During the voting of the agenda items, open ballot voting is used in "show of hands method" at our General Assembly meetings.

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After the General Assembly meeting, minutes to the meeting are kept in the Company's minute book and after being translated into English, are uploaded on the Company's website as both in Turkish and English. Minutes to the meeting are publicly announced via Public Disclosure Platform (KAP) and published in the Trade Registry Gazette. Minutes and the list of attendants are available on KAP, EGKS and Tüpraş website. Minutes to the General Assembly, attendance list, agenda and ads are simultaneously submitted to the evaluation of the domestic and foreign investors with an e-mail.

In the Ordinary General Assembly meeting held in 2016, with a separate agenda item, information about the donations and charity made in 2015 was given in the General Assembly the total limit for the donations that will be made in 2016 in line with the donation policy was determined as TL 25 million. In 2016, charitable donations totaled TL 20.3 million.

Some of the shareholders who control the management, members of the Board of Directors, executives who have administrative responsibilities and their spouses and second degree relatives by blood or by marriage, assume roles as members of the Board of Directors in our Company and in some of the other Koç Group companies. In 2016, there was no transaction that had to be declared within the scope of the Principle n.1.3.6. of the Corporate Governance Communiqué.

The 57<sup>th</sup> Ordinary General Meeting for 2016 will be held on March 29, 2017, at the Company's Head Office.

## 2.4. Voting Rights and Minority Rights

The voting procedure is announced to the shareholders at the beginning of the General Meeting. The Company avoids practices that make it difficult to exercise voting rights.

No upper limits have been introduced for the voting rights of any shareholders and each shareholder is given the opportunity to exercise his/her voting right in the easiest and most convenient manner. Shareholders, who are eligible to participate in the Company's General Assembly meetings, can attend these meetings by electronic means, as per Article 1527 of the Turkish Commercial Code. The shareholders who are entitled to vote can vote in person, or exercise their voting right via a third party who may or may not be a shareholder.

Shareholders present in Ordinary and Extraordinary General Assembly Meetings exercise their rights to vote in proportion to the nominal value of their total shares. Votes are cast openly in the General Assembly Meetings. However, secret voting shall be exercised upon the request of the shareholders who have minimum one twentieth of the shares represented in the meeting.

As stipulated in the Articles of Association, material decisions concerning spin-offs or sales, acquisitions or lease of assets with significant value can only be taken with the positive vote of Group C (preferential) shares, represented by the Privatization Administration. In this context, at the General Meeting for deciding on issues that might restrict or hinder the supply of petroleum to the Turkish Armed Forces, such as closure or sale of one of the refineries, limitation of activities through establishment of restraint or any reduction corresponding to more than 10% of the capacity, or spin-off or merger and/or liquidation of the Company a positive voters needed. In matters other than those mentioned above, decisions are made by bringing issues debated by the Board of Directors to the General Meeting for discussion and resolution.

Class C shares do not hold any other privileges concerning voting rights, apart from those indicated above.

As per the Turkish Commercial Code and CMB regulations, the Company shows maximum care to ensure the exercise of minority rights. Shareholders representing minority rights constitute the Management with the majority shareholders, through their attendance at the General Meeting. No criticism or complaint about this issue was received by our Company in 2016.

All shareholders including minority or foreign shareholders are treated equally. Board Members, managers, ultimate controlling shareholders and individuals with access to insider information disclose to the public, on their own behalf, the work they carry out within the scope of the field of activity of the Company.

## 2.5. Dividend Rights

The profit distribution policy of our Company was set within the framework of the Capital Markets Regulations and the provisions of our Articles of Association at the General Assembly held on the 31<sup>st</sup> of March 2014. There is no privilege in dividend distribution for Group A and Group C shareholders representing the capital.

Profit distribution policy and the annual profit distribution proposal are included to the Annual Report and submitted to the approval of the shareholders at the General Assembly.

## Profit Distribution Policy

Our Company distributes dividends in compliance with the Provisions of Turkish Commercial Code, the Capital Markets Regulations, the Tax Regulations and other related regulations and the related provisions of our Company's Articles of Association regarding dividend distribution. In the dividend distribution, in compliance with the Corporate Governance Principles, a balanced and consistent policy is pursued between the shareholders and the Company benefits.

In principle; as far as the related regulations, investment needs and financial situation allow, the entire amount of the "net distributable profit for the period", calculated within the frame of the Capital Markets Regulations, is distributed in cash - taking into consideration the market expectations, long term company strategies, investment and financing policies, profitability and cash position - as long as it is covered from the existing resources in our legal records. The General Assembly or the Board of Directors, if authorized, may decide to distribute dividends with installments in compliance with the regulations of the Capital Markets.

There is no privilege in the Articles of Association regarding the participation to dividend distribution.

The aim is to make the dividend distribution within one month at the latest after the General Assembly meeting. Dividend distribution date is decided by the General Assembly.

As per the Company Articles of Association; in compliance with the Regulations of the Capital Markets, the Board of Directors may distribute advance dividend provided that the authorization is granted by the General Assembly.

## 2.6. Transfer of Shares

The principles regarding the Transfer of Shares are specified in the 7<sup>th</sup> Article of our Articles of Association. The Articles of Association does not include any practices or provision that would impede or restrict shareholders who hold publicly traded Group A shares in transferring their shares.

Registered Group C shares can be transferred with the powers vested by Law n.4046 to the Turkish Prime Ministry Privatization Authority, to another government-owned corporation in Turkey vested with the same powers in principle. This transfer will not be subject to the approval of the Board of Directors.

## SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Corporate Website and Its Content

The address of the Company's corporate website is [www.tupras.com.tr](http://www.tupras.com.tr). Company's corporate website is created both in Turkish and in English in order to provide information to international investors. Company's website which is actively used in public disclosure was renewed in

2016. Furthermore, the information given on the website is constantly updated. There is a separate investor relations section on the website in order to provide more inclusive data flow to investors and intermediaries. Thus, all information specified in Article 2.1. of Section II of the Corporate Governance Principles of the Capital Markets Board are available on the website. Principles regarding website management are included in our Information Policy. Furthermore, the website address is also available on the headed papers of the Company.

### 3.2. Annual Report

Tüpraş annual report is prepared and issued in such detail that will provide full and accurate information to public about the activities of the Company. In addition to the issues stipulated in the Capital Markets Board legislation and other sections of the Capital Markets Board's Corporate Governance Principles, the annual report is issued including the information specified in Article 2.2.2 of Section II of the Corporate Governance Principles.

After the annual report is prepared, it is presented to the approval of the Board of Directors, and publicly announced on the website both in Turkish and in English, as well as the e-manage page of the Central Registry Agency. Furthermore, printed copies are available at Tüpraş Investor Relations and Reporting Directorate.

## CHAPTER IV: STAKEHOLDERS

### 4.1. Informing Stakeholders

Company's corporate governance applications and codes of conduct guarantee the stakeholders' rights that are regulated by legislations and mutually signed contracts. Stakeholders are continuously informed within the framework of the information policy created by the Company in accordance with the existing legislations and codes of conduct.

With the General Assembly Meetings open for all stakeholders, and the detailed information made available on our website, as well as the inclusive Annual Reports, press announcements, and our practices within the scope of our Information Policy based on transparency; the aim is to provide information not just for our shareholders but for all stakeholders. Arranging meetings at the highest possible levels, the Company endeavors to respond to the requests for meetings by the shareholders.

Company personnel are given access to circulars and announcements via the intranet portal and important announcements are communicated to all employees via electronic mail. The Company journal, Rafine, is issued with the aim of reinforcing corporate communication between employees at different geographical locations. Employees and senior management executives at Tüpraş come together once a year to evaluate the goals and progress achieved in the course of the year and to exchange ideas.

Any stakeholder actions that go against the legislation are presented to the Audit Group for submission to the Audit Committee and the Ethics Committee is notified of any unethical transactions. Via the corporate website, stakeholders can access the recently established Stakeholder Management System and submit their queries, propositions and complaints through this medium. A joint working group was created among various officers to respond to queries made through this system.

An efficient and continues indemnification is provided in case of breach of stakeholders' rights that are protected by legislations and contracts. "Indemnification Policy" published within the Company is available on the Company's website. Necessary exceptions with respect to the scope or nature of the jobs are shared with the employees in the employment contract signed with the employees.

### 4.2. Stakeholders Participation in the Management

Models that will support the stakeholders and Company employees, in particular, to participate in Company management, are developed in a manner that will not hinder company activities. Summary of the activities carried out about this issue is given below.

In order to award the employees' actions and efforts that support business values and objectives; "Refined Suggestions" system is implemented to support and encourage individual and original ideas on process improvement, energy saving, resource efficiency, productivity in production, environmental protection and occupational safety through the "Tüpraş Appreciation Recognition and Rewarding" system. Furthermore, employees' evaluations on the practices, and their loyalty and satisfaction are measured with the Employee Commitment surveys. The

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results of the survey are considered in company activities, and the improvement targets are added to the performance cards of the Company's Top Management.

"Tüpraş Customer Relations Policy", which constitutes the basis of Customer Relations Management, was published on May 9, 2016, and main commitments were determined and shared with the customers to meet customer satisfaction and expectations at the highest level.

In addition to the Customer Relations Management Policy, certification efforts were initiated in the last quarter of 2016 to ensure that processes reach international standards with ISO 10002 Customer Satisfaction and Complaint Management certification. As a result of the certification external audit, the Company was entitled to receive the ISO 10002 Customer Complaints Management Certificate. Within the scope of certification activities, "Tüpraş Notification Points" were established and launched to ensure that customers and their representatives (including tanker drivers) can communicate their wishes, suggestions and complaints to the Company at all points of delivery (4 Refineries and 6 Terminals). On the other hand, Customer Satisfaction Surveys prepared in order to provide constant improvement in all processes, were made in also 2016, and 2017 Customer Relations Management business targets were determined according to survey results.

Furthermore, communication meetings were organized to enable the sustainability of the long lasting commercial relations, to create an opportunity of face-to-face conversation with persons who are usually contacted on the phone, and to develop solutions by listening to individual requests. Within this scope 13<sup>th</sup> Fuel Distribution Corporations Communication Meeting was held on the 27<sup>th</sup> of October 2016.

In addition to this, technical support line and corporate webpage was launched in 2016 to provide existing and potential customers with easy accessibility and higher quality communication through all communication channels.

Tüpraş Supplier Portal, Tüpraş Supplier Code of Conduct and Supplier Management Policy were launched to establish sustainable supply chain management practices. In order to provide an easy, fast and effective communication environment between our suppliers and our Company, Tüpraş Supplier Portal is designed as a source for obtaining information, making application, communicating, measuring and reporting. Our suppliers make their applications by completing Tüpraş Supplier Evaluation Survey and Tüpraş Health Safety Environment Survey on the supplier portal. The performance of our suppliers is monitored through the SAP system, and the evaluations in our workplace visits are made by making reference to Tüpraş Supplier Code of Conduct as well as technical criteria.

Furthermore, "Tüpraş Supplier Satisfaction Survey" and "Tüpraş Contractor Satisfaction Survey" are made every year in order to constantly maintain the sustainability of our supply chain at the highest level, to detect changing and developing demands, and to strengthen our relations with our suppliers even more.

Targets to improve customer satisfaction, supplier satisfaction, and employee satisfaction, are reflected in the Company management goals.

### 4.3. Human Resources Policy

As is the case with other Companies within the Koç Group, the essence of the human resources policy at Türkiye Petrol Rafinerileri A.Ş. is embodied in the maxim "the most valuable asset are our human

resources". Criteria related to human resources are stipulated in writing, and are in compliance with the criteria listed in the subparagraphs of Article 3.3 of the Communiqué on Corporate Governance Principles.

The principles of the human resources policy are:

- Job descriptions, their delegation and applied performance criteria are defined and communicated to the employees by the Company.
- Recruitment criteria are laid out and communicated in writing; these criteria are utilized at recruitment.
- Decisions for training, appointments and promotions are taken diligently by consulting objective data and considering corporate interests.
- There is great emphasis on providing training to develop professional knowledge, capabilities and personal talents of our staff.
- A safe working environment along with correct working conditions are provided for our staff and efforts are constantly made to improve them.
- Events relating to or decisions concerning our employees are communicated to our employees.
- Rewards are presented to employees upon completion of five years of service thus encouraging qualified, trained and experienced staff for continued service.
- There is no discrimination between the employees of our Company. There have been no complaints brought by Tüpraş employees to senior management concerning discrimination.
- There is no practice of assigning representatives for liaising with our employees.

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

The Code of Ethical Business involves the fundamental principles of conduct.

Employees of the Company are expected to comply with the Business Ethics Principles and Common Values of the Koç Group when performing their jobs. In recognition that business procedures, standards, laws and regulations cannot provide guidance for all conduct and actions, we utilize the Code of Ethics built on corporate values and the Ethics Committee.

The Code of Ethics adopted by the Board of Directors has been approved during the General Meeting on April 2011 and signed statements of compliance from all employees have been obtained.

With its accumulated knowledge in the refining sector, Tüpraş is oriented toward social rather than individual interests. Thanks to its institutionalized structure and socially responsible employees, Tüpraş initiates and supports various projects in cities where its refineries are located so as to contribute to the cultural and social development of our nation.

Tüpraş has further developed its corporate and ethical management philosophy and standards by issuing its first Corporate Social Responsibility Report in 2008 and the seventh report was completed in 2016. In its Corporate Social Responsibility Report, Tüpraş adopted the Global Reporting Initiative's (GRI) G3 Reporting Principles.

As the largest industrial enterprise in Turkey, Tüpraş places human health, workplace safety, environmental protection and public interest at the forefront of its activities in pursuit of its goals. Apart from continuously developing products and services that protect people and the environment, Tüpraş complies with environmental standards concerning the fuel used in all its refineries -including the Batman Refinery- for production purposes, regardless of regional differences. Operating on world standards concerning environmental protection, Tüpraş recognizes the importance of improving the natural habitat as well as preserving it and works toward the creation of new natural conservation areas.

In 2016, Tüpraş realized numerous events as part of its Corporate Social Responsibility activities, in areas such as education, culture and arts, health, sports, environmentally friendly actions and employee rights; the details of which are presented under the heading Corporate Social Responsibility section of the annual report.

### CHAPTER V: BOARD OF DIRECTORS

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

The qualifications that the Company seeks for Board members are in compliance with those outlined in the CMB's Corporate Governance Principles. The duties of the Chairman of the Board of Directors and the General Manager are performed by different persons. Special attention is paid on the issue that the members of the Board of Directors spare plenty of time for the Company tasks. Moreover, there is no restriction about having other duty/ duties outside the Company. Especially, due to the significant contribution of the professional and sectorial experiences of the independent members to the Board of Directors such a restriction is not required. Before the General Assembly, together with the résumé of the member, duties assumed outside the Company are submitted for the information of the shareholders.

At our Company, the duties of the Nomination Committee are performed by the Corporate Governance Committee.

In 2016, the number of the independent member nominees submitted to the Corporate Governance Committee was five (5). The nomination declarations and résumés of these persons were evaluated in the meeting of the Corporate Governance Committee dated January 27, 2016 and in the meeting of the Board of Directors dated January 28, 2016. Accordingly it was decided to determine 5 members as independent member nominees. All the independent members of the Board of Directors submitted their independence declarations to the Corporate Governance Committee. The approval was received from the Capital Markets Board, with limited validity for one year, for Cengiz Yavilioğlu who is the representative of the Privatization Administration, to be an independent member of the Board of Directors. Cengiz Yavilioğlu was not completely meeting

the independence criteria for reason "a person shall not work full time in the public institutions and foundations after being elected as a member, excluding the university faculty members on condition that it is in compliance with the legislation that they are subject to". As of 2016 activity period, there was no condition eliminating the independence of Independent Board Members.

In the current situation, four among the 15 members of the Board of Directors meet the independence criteria specified in the principles. In addition to this, Privatization Administration representative who is the member of the Board of Directors was attributed as an independent member with the approval of the Capital Markets Board. Related committee resolution and the résumés of the members are found in the committee reports which are included on the Company website.

Our Company believes that ensuring diversity in terms of knowhow, experience, and point of view in the Board of Directors will positively contribute to the activities of the Company and to the efficient performance of the Board of Directors. We continue our evaluations to determine a target ratio for female members of the Board of Directors who have a role in ensuring the representation of different opinions in the Board of Directors. Currently, there is one female member in our Board of Directors. The Members of the Board of Directors; i) who are all non-executive in accordance with the definition stipulated in Capital Markets Board's Corporate Governance Principles ii) who were elected at the Company General Assembly held on the 4<sup>th</sup> of April 2016, to serve until the General Assembly meeting where the activities of 2016 will be discussed, and their qualifications are given in the table below whilst their résumés are available on the website and in the Annual Report. The roles of the Chairman of the Board of Directors and the general manager are assumed by different persons. Utmost attention is paid to make sure that the Members of the Board of Directors spare sufficient time for company affairs while there is no restriction on assuming tasks outside the company. Particularly because of the professional experience of the independent members and the significant contribution of their sectoral experience to the Board of Directors, no such restriction is needed. Résumés of



# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## BOARD MEMBERS

NAME/SURNAME	INDEPENDENT/ DEPENDENT	DATE OF APPOINTMENT	DUTIES ON THE BOARD AND IN OTHER COMMITTEES	DUTIES OUTSIDE THE COMPANY
Ömer M. Koç	Dependent	04.04.2016	Chairman of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Ali Y. Koç	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Rahmi M. Koç	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Semahat S. Arsel	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Temel Kamil Atay	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee; Member of the Risk Management Committee	Member of the Board of Directors of Koç Holding Companies
Dr. Bülent Bulgurlu	Dependent	04.04.2016	Member of the Board of Directors	Member of the Board of Directors of Koç Holding Companies
Levent Çakıroğlu	Dependent	04.04.2016	Member of the Board of Directors	Member of the Board of Directors of Koç Holding Companies Koç Holding CEO
O. Turgay Durak	Dependent	04.04.2016	Member of the Board of Directors	Member of the Board of Directors of Koç Holding Companies
Erol Memioğlu	Dependent	04.04.2016	Member of the Board of Directors;	Member of the Board of Directors of Koç Holding Companies
Yağız Eyüboğlu	Dependent	04.04.2016	Member of the Board of Directors; Member of the Corporate Governance Committee	Member of the Board of Directors of Koç Holding Companies
Dr. Cengiz Yavilioğlu	Independent	04.04.2016	Member of the Board of Directors (PA Representative)	Ministry of Finance Deputy Minister
Ahmet Turul	Independent	04.04.2016	Independent Member	Member of the Board of Directors of Allianz Companies
Gökçe Bayındır	Independent	04.04.2016	Independent Member of the Risk Management Committee	Independent Member of the Board of Directors of Koç Holding Companies
Kutsan Çelebican	Independent	04.04.2016	Independent Member of the Corporate Management and Audit Committee	Independent Member of the Board of Directors of Koç Holding Companies
Osman Mete Altan	Independent	04.04.2016	Independent Member of the Audit Committee	Independent Member of the Board of Directors of Koç Holding Companies

the members, and the roles they assume outside the company are presented to the shareholders information prior to the General Assembly.

The Board of Directors consists of at least five members, elected at the General Meeting. In the selection of the Board of Directors, one member has to be appointed by the Class C shareholders. The Class A shareholders, in order to determine their representatives, votes among themselves in the General

Meeting. Those receiving the highest number of votes become members of the Board. The number and qualifications of the independent members who will join the Board of Directors are determined as per the CMB's regulations on corporate governance.

The Board of Directors is authorized in determining the number of its members and election of the members. Without prejudice to the stipulations provided under the regulations of the Capital

Market Board concerning the Corporate Governance Principles, the members of the Board of Directors may always be replaced by the General Assembly if deemed necessary under the article 364 of the Turkish Commercial Code taking the provisions of this Articles of Association in to account.

In case of any vacancy in the Board of Directors for any reason or if the Independent Board Member loses its independency, or resigns or becomes

incapable of executing its duties, the Board of Directors elects the nominee nominated by the group of shareholders, which had nominated the previous member of the Board temporarily in conformity with the procedures set out in the provisions of the Turkish Commercial Code and Capital Market Board regulations and submits to the approval of the General Assembly in the next meeting.

## 5.2. Operating Principles of the Board of Directors

Tüpraş's Board of Directors operates in a transparent, accountable, equitable and responsible manner. The duties and responsibilities of the Board of Directors are outlined in the Articles of Association. Distribution of tasks and duties among the Members of the Board of Directors and their duties and powers are explained in the annual report.

The Board of Directors convenes whenever the business of the Company so requires. The Board of Directors must convene when demanded by the Chairman or two of its members. The meetings can be held in the Company's headquarters or any other location as determined by a majority of the Board members. In addition to its regular meetings, the Board of Directors can be convened by an absolute majority of its members to reach decisions on special issues deemed important or can take decisions without actually convening, as per Article 390/4 of Turkish Commercial Code.

According to the Article 367 of the Turkish Commercial Code, the Board of Directors can delegate some or all of its administrative and representative authorities to one or more of its members, to a Board Member and nonmembers such as the General Manager or one or more directors and it can also form executive committees from among members or non-members to exercise these duties and authorities.

The Board of Directors' meeting procedure, meeting quorum, decision quorum, voting methodology, duties and authorities are determined in line with the Turkish Commercial Code and Capital Markets Board regulations.

At Board of Directors meetings, all affirmative/ negative votes on the issues at hand, votes and meeting minutes are kept in the official records. The agenda of the regular meetings is prepared by the

secretariat of the Board of Directors in consultation with the members, by taking into consideration decisions previously taken or the issues that need to be settled. The agenda of other meetings consist of issues that need to be settled according to legal obligations. The CFO is in charge of the secretariat of the Board of Directors. During the year, none of the related party transactions or significant transactions brought to the attention of the independent Board members were disapproved or submitted for approval to the General Meeting.

The Articles of Association does not provide a privileged vote or veto right to Board members. In the Articles of Association, the members of the Board of Directors are not given weighted voting right or veto power (except the affirmative votes of the Group C privileged shares in order to take a decision in the Board of Directors on the issues specified in the voting right).

The General Meeting may grant Board members business leave for the cases outlined in the Articles 395 and 396 of the Turkish Commercial Code.

The location for meetings is the Company headquarters. Meetings may be held at another venue with the decision of the Board of Directors. Matters to be discussed at Board Meetings must be pre-determined on an agenda that is communicated to the Board before the date of the meeting. Invitations to these meetings must be made at least three days before the actual date of meeting.

The Company has an insurance coverage up to EUR 50 million regarding the compensation for the damages in parallel with the liabilities for which the directors and the members of the Board of Directors can individually be held responsible within the scope of their duties.

While pursuing the Company activities, the Board of Directors evaluates the possibility of conflict of interest, and the consequences of such conflict of interest (if any) for the company. Furthermore, the Board of Directors takes necessary decisions to ensure most suitable action for Company interests is taken. Besides complying with the regulations within the scope of related party transactions, the Board of Directors also evaluates potential misconduct risks and related party transactions with scrutiny.

## 5.3. Number, Organization and Independence of Board Committees

The Company has established a number of committees to ensure that the Board performs its duties and responsibilities correctly; these committees perform their activities in accordance with certain procedures. The committees' operating procedures, meeting frequency and reports on their current activities are available at the Company's website. The Corporate Governance Committee, Risk Management, Audit, Executive and Ethics Committees operate in accordance with the following principles:

Board of Directors monitors financial control and audit activities via the Audit Committee. While fulfilling this function, the Audit Committee analyzes and assesses the reports from the Financial Audit Department established to evaluate, audit and report on the efficiency of Company processes from a financial perspective. The Audit Committee then gives the necessary instructions to the Company management and when deemed necessary, submits these to the attention or approval of the Board of Directors. In this regard, the Board of Directors is coordinated in its actions by the Audit Committee.

The Financial Audit Department assesses the Company's entire business process from a financial perspective, tests the adequacy, efficiency and implementation of the relevant audit mechanisms and determines in coordination with the operational units the measures to be taken to mend any deficiencies and reports the results of its activities to the Audit Committee.

### Corporate Governance Committee

The Corporate Governance Committee was established with the Board of Directors decision dated 20.11.2007; to monitor the Company's compliance with the corporate governance principles, and to assess the reasons of not being implemented regarding the principles which have not been implemented yet, and to give remedial advice to the Board of Directors.

In the current situation there are three members one of which is the Chairman. In 2016, the Committee convened six times.

The duties of the Nomination Committee and Remuneration Committee outlined in the CMB's Corporate Governance Principles are currently performed by the Corporate Governance Committee.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## Risk Management Committee

The Risk Management Committee was established with the Board of Directors decision dated 28.07.2010. The aim of the committee is to counsel the Board of Directors about the following issues; early detection and assessment of all kinds of strategic, operational, financial, legal and other risks that may endanger the Company's existence, development and continuation, estimating the impacts and probabilities of these risks, managing and reporting these risks in accordance with the Company's corporate risk taking profile, carrying out the necessary measures regarding the detected risks, taking these risks into consideration in decision mechanisms and establishing and integrating internal control systems in this aspect. The Committee convened six times in 2016. The experience of the member of the Board of Directors required him to assume duties in more than one committee.

## Audit Committee

Established with the Board of Directors decision dated 26.12.2003, the Committee is responsible for the Audit process in order to oversee the compliance of the accounting and reporting systems with the relevant laws and regulations; public disclosure of the financial information and performance and effectiveness of the independent audit and internal control system. The Committee convened six times during the year.

The Audit Committee collects the opinions of executives and independent auditors on the annual and interim financial statements to be disclosed to the public, as regards their truthfulness, accuracy and compliance with the Company's accounting principles and presents these to the Board of Directors in written form together with its own assessments. The Audit Committee convenes at least four times every year and more frequently when deemed necessary. The Chairman and members of the Committee are

## CORPORATE GOVERNANCE COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
Kutsan Çelebician	Member of the Board of Directors (Non-Executive)	Independent	Yes
Yağız Eyüboğlu	Member of the Board of Directors (Non-Executive)	Dependent	No
Doğan Korkmaz	Assistant General Manager-Financial Affairs (Executive)	Dependent	Yes

## RISK MANAGEMENT COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
Gökçe Bayındır	Member of the Board of Directors (Non-Executive)	Independent	No
Temel Kamil Atay	Member of the Board of Directors (Non-Executive)	Dependent	Yes

## AUDIT COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
Kutsan Çelebician	Member of the Board of Directors (Non-Executive)	Independent	Yes
Osman Mete Altan	Member of the Board of Directors (Non-Executive)	Independent	No

elected among the independent members of the Board of Directors. The financial experience of the independent member of the Board of Directors required him to assume duties in more than one committee.

## Steering Committee

The Steering Committee was established on 4 May 2012 in order to counsel the Board of Directors with the aim of increasing the effectiveness of the Board of Directors by ensuring the coordination

between the Board of Directors and the administrative structure; ensuring the enhancement of investment and business development in areas that comply with its strategic targets.

The Steering Committee ensures that the analysis and assessment of the matters such as; impacts on the activities; financial aspects; legal situation; compliance with the strategic priorities regarding the important issues which will be resolved by the Board of Directors is completed

by the Board of Directors. The Steering Committee aims to set the strategies that will increase the competitive power of the Company by monitoring and analyzing the impacts of the developments in the economic, social and political environment of the sector in which the Company has been carrying out its activities. The committee aims to make sure that the opportunities are uncovered through monitoring the sector dynamics in accordance with the determined strategies. With this objective, the Steering Committee carries out the following tasks and counsels the Company Management and the Board of Directors.

- Follows the developments in the sector in order to create the appropriate strategies for the Company and to ensure the effectiveness of the activities; and gives advice.
- Benchmarks the Company's strengths and weaknesses through analysis made within the country, and opportunities and threats through analysis made comparatively with the international companies that it has selected in the same industry; and ensures that necessary measures are taken.
- Audits the compliance of the Strategic Work Plan - prepared annually by the Company Management in such way that it covers at least five years - with the results of the analyses, and makes sure that the necessary revisions are made.
- Audits the compliance of the annual work plans (budget) prepared by the Company Management with the Strategic Work Plan; and analyzes the significant differences (if any) and makes sure that they are fully reflected into the budget,
- Ensures that necessary tasks are performed in order to carry out the activities in compliance with the annual work plans and the decisions of the Board of Directors; and makes necessary supervision after the monthly, quarterly, semi- annually made analyses for the differences.
- Monitors the functionality of the systems in which the Company work plans are prepared and necessary revisions are made according to the international developments and used as the performance criteria.
- Ensures that the analyses and assessment of the matters such as; The impacts on the activities, the financial aspect, the legal situation, and compliance with the strategic priorities regarding the important issues

which will be resolved by the Board of Directors are completed by the Board of Directors. During the preparation and control phase of the short and long term work plans of the Company, the Steering Committee makes sure that sub work/ advisory groups are composed of persons from among its members and when necessary composed of persons with sufficient experience and knowhow from outside the Company.

Executive Committee is composed of a Chairman and a number of members that will be no less than 1/3 of the Board of Directors. Executive Committee made twelve meeting within the year.

#### Ethics Committee

Ethics Committee the Code of Ethical Business involves the fundamental principles of conduct of the Company. Tüpraş has renewed its Code of Ethical Business toward compliance with the Global Compact signed by Koç Holding,

in addition to the changes in legal, social and economic circumstances and was approved by the General Assembly on April 2011.

Employees of the Company are expected to comply with the Business Ethics Principles and Common Values of the Koç Group when performing their jobs. In recognition that business procedures, standards, laws and regulations cannot provide guidance for all conduct and actions, the Company has published its Code of Ethics and established the Ethics Committee.

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

Risk Management Committee was founded on July 28, 2010 in Tüpraş pursuant to Corporate Governance Principles announced by Capital Markets Board. Tüpraş Risk Management Committee functions; in order to ensure risks that may threaten existence,

### STEERING COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
Rahmi M. Koç	Member of the Board of Directors (Non-Executive)	Dependent	No
Semahat S. Arsel	Member of the Board of Directors (Non-Executive)	Dependent	No
Ömer M. Koç	Chairman of the Board of Directors (Non-Executive)	Dependent	No
Ali Y. Koç	Member of the Board of Directors (Non-Executive)	Dependent	No
Temel Kamil Atay	Member of the Board of Directors (Non-Executive)	Dependent	Yes
Bülent Bulgurlu	Member of the Board of Directors (Non-Executive)	Dependent	No

### ETHICS COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
İbrahim Yelmenoğlu	General Manager (Executive)	Dependent	No
Doğan Korkmaz	Assistant General Manager-Financial Affairs (Executive)	Dependent	Yes
Nezih Akçınar	Director of Human Resources (Executive)	Dependent	No
Fatma Devrim	Competition Specialist (Executive)	Dependent	No

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

development and continuity of the company, are diagnosed, measures are implemented on time and risks are efficiently managed; so that compliance with Article 378 of Turkish Commercial Code No.6102, which has entered force on July 1, 2012, can be maintained. Service Policy which made for this target; with the "Information Document" published three weeks in prior to the Ordinary General Assembly; it was submitted for the information of our shareholders on our corporate website and was put into practice after the General Assembly. The committee conducted six meetings in 2016, where Tüpraş Risk Management System was evaluated and risk reporting principles were determined. Reports and committee evaluations are periodically submitted to Board of Directors in accordance with the principles determined.

Audits in Tüpraş are conducted by the specialized team of the Tüpraş Risk Management and Audit Unit, using a proactive methodology based on the International Internal Audit Standards and Tüpraş Code of Ethics, in terms of the headings: financial, operational, risk, process, legal compliance, business ethics, and misconduct.

Basic financial and process audits throughout the activity units of Tüpraş are performed twice a year, while thematic audits for a certain working period is conducted at least once a year.

Any facts founds during internal audits regularly conducted for ensuring effective, reliable and permanent operation of Tüpraş activities and for completeness, consistency, reliability, timely availability, and safety of information received from the accounting and financial reporting system of Tüpraş, shall be shared with the Company's management to accompany it in improving the processes.

In 2016 the refineries were visited by the Risk Management and Audit Office 25 times, involving a total of 155 person-day.

At the beginning of each year, the audit topics are determined and shared with the relevant units of the Company, and within this scope annual risk based audit plans are made. Audit results are announced within the Company without losing time, and necessary corrective measures are taken. Results are regularly reviewed, and improvements in the activities are monitored.

## 5.5. Company's Strategic Targets

The Board of Directors manages and maintains the risk-return trade-off of Tüpraş, safeguarding its sustainable profitability and long-term interests to proceed towards strategic targets. It ensures that the Company's strategic targets are set with the support of the Executive Committee and other sub-working groups. The Board of Directors, which is responsible for setting, implementing and supervising the Company's strategic targets, shall carry out the following activities.

## 5.6. Financial Rights

Principles of the remuneration of the Members of the Board of Directors and Executives (top management) were printed and submitted as a separate item for the information of the shareholders at the General Assembly meeting while shareholders were given the opportunity to present their opinions on this issue. The remuneration policy structured with this purpose, was announced on our corporate website with the "Information Document" published for our shareholders' review three weeks in prior to the Ordinary General Assembly held on the 4<sup>th</sup> April 2016 and was put into practice after the General Assembly. Furthermore; payments made to the executives are publicly disclosed in the financial statement footnotes. A separate Remuneration

Committee was not established among the Board of Directors Committees. Thus, Remuneration Committee's tasks determined within the scope of the CMB Corporate Governance Principles are carried out by the Corporate Governance Committee in conformity with the CMB Principles.

Taking their contributions, their participations in the meetings, and their functions into consideration; a bonus payment determined by the Board of Directors within the framework of the Corporate Governance Committee's opinion can be made at the year-ends to the members of the Board of Directors who will be assigned in the committees that will be created by the Company's Board of Directors. In the remuneration of the independent members of the Board of Directors, stock options or payment plans depending on the Company's performance are not used.

The Chairman or the members of the Board of Directors are not given any direct or indirect debt, extended any loans and not granted collaterals, so as to avoid any conflicts of interest.

Every year in the Ordinary General Assembly meeting, fixed wage is determined which will be valid for all the members of the Board of Directors. At the Ordinary General Assembly Meeting held in April 2016 Regarding 2015; a decision was taken by majority vote to pay a remuneration of TL 330,000 per year to each of the Members of the Board of Directors, and to start making these payments in the month after the General Assembly Meeting, and continue making payments until the next General Assembly on a monthly pro rata basis.