

2016 Corporate Governance Compliance Report

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

In the period between January 1, 2016 and December 31, 2016, our company complied with the mandatory provisions of the Corporate Governance Communiqué of the Capital Markets Board ("CMB") and put a considerable amount of effort to comply with the non-mandatory principles.

Corporate Governance Rating

The level of compliance of Logo with the Principles of Corporate Governance is publicly announced on our Corporate Governance Compliance Report. Saha Corporate Governance and Credit Rating A.Ş. completed the revision of Logo's corporate governance rating score on December 15, 2016 and announced the rating score of 9.12 on a scale of 10.

Logo received the following rating scores for each main section:

Main Sections	Weight	Score
Shareholders	25%	90.73
Public Disclosure and Transparency	25%	88.33
Stakeholders	15%	96.00
Board of Directors	35%	91.67
TOTAL	100%	91.24

The full report on Corporate Governance Rating issued by Saha is available on the company website www.logo.com.tr.

SECTION II – SHAREHOLDERS

2.1. Investor Relations Department

Investor Relations activities in our company are conducted by the Investor Relations Department reporting to the CFO.

Investor Relations contact information is as follows:

Glnur ANLAŐ, CFO

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Berna KKTENER, Investor Relations Manager

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Dođan KARACA, Investor Relations Senior Specialist

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Main responsibilities of the Investor Relations Department include:

- Ensuring that the communication records with investors and related documents are kept in a reliable, secure and up-to-date manner.
- Responding to written information requests by the investors
- Organizing the general assembly meeting in line with the existing regulations, the articles of association and internal policies of the company, and preparing the documents in relation to the general assembly meeting to be reviewed by the investors
- Ensuring the fulfillment and monitoring of the company’s responsibilities in relation to the capital markets regulations, including among others Corporate Governance and Public Disclosure requirements

Activities carried out by the Investor Relations Department in the reporting period are as follows:

- Information requests received from our investors via e-mail or telephone were responded according to legal regulations and the company's disclosure policy. All information requests, except for the confidential information and trade secrets, were responded in accordance with the principle of fairness.
- General assembly meeting was organized in accordance with the regulations, articles of association and other company regulations.
- An informative note was prepared for the investors before the general assembly meeting.
- Records of the voting results were kept. No investor has requested these records.
- Public disclosure requirements were fulfilled in accordance with the regulations and the required disclosures were announced on the Public Disclosure Platform completely, directly, clearly, sufficiently and free from deceptive expressions.
- The company met both domestic and international investors and potential investors in numerous meetings and teleconference calls.
- Logo's free float increased from 25.3% to 61.3% via the TL 413 million fully marketed offering to qualified investors completed on October 31, 2016. Logo shares were sold to more than 40 investors and more than 85% of the shares were purchased by international institutions. The offering was marked as the first successful internationally marketed deal in Turkey since November 2014. The offering was coordinated by the Investor Relations Department.

2.2. Exercise of the Right to Receive Information by the Shareholders

In accordance with the relevant regulation and disclosure policy of the company, all investors must be equally informed. Investors are not informed on issues that are not previously disclosed to the public. Information and announcements that might affect the exercise of shareholders' rights are posted on the company website both in Turkish and English. Information requests received from investors are responded via telephone or in writing without discriminating any investor, in line with the capital markets regulation and fairness principle. Financial statements and announcements regarding the Disclosure of Material Events are presented to our shareholders through the company website and the Public Disclosure Platform. The articles of association do not include the right to request a special auditor as an individual

shareholder right. The company did not receive any request for appointment of a special auditor.

2.3. General Assembly Meetings

Ordinary General Assembly Meeting

The ordinary shareholders' general assembly meeting was held on April 28, 2016 at Gebze Organize Sanayi Bölgesi, Şahabettin Bilgisu Caddesi No: 609 Gebze/ Kocaeli, where the headquarters of the company is located. The announcement together with the agenda was made three weeks prior to the meeting on the Turkish Trade Registry Gazette dated April 5, 2016 and numbered 9047, on the Public Disclosure in April 5, 2016 Platform and the company's official website in line with the regulations and the articles of association of the company.

Out of the 2,500,000,000 shares corresponding to TL 25 million capital of the company the 3,300,000 Class A preferred shares corresponding to TL 33,000 capital were present by proxy; 20,505,960.003 Class B shares corresponding to TL 2,050,596,000.3 capital were present by proxy; 29,275,076.7 Class B shares corresponding to TL 292,750.767 capital were present in person. As a result, 2,083,170,077 shares corresponding to a total of TL 20,831,710.77 capital was represented with a meeting quorum of 83,33%, satisfying the decision quorum set forth in the articles of association.

Extraordinary General Assembly Meeting

The extraordinary shareholders' general assembly meeting was held on October 27, 2016 at Gebze Organize Sanayi Bölgesi, Şahabettin Bilgisu Caddesi No: 609 Gebze/ Kocaeli, where the headquarters of the company is located. The announcement together with the agenda was made three weeks prior to the meeting on the Turkish Trade Registry Gazette dated October 4, 2016 and numbered 9168, on the Public Disclosure in October 4, 2016 Platform and the company's official website in line with the regulations and the articles of association of the company.

Out of the 2,500,000,000 shares corresponding to TL 25 million capital of the company the 3,300,000 Class A preferred shares corresponding to TL 33,000 capital were present by proxy; 2,076,237,562.3 Class B shares corresponding to TL 20,762,375.623 capital were present by proxy; 17,763,249.7 Class B shares corresponding to TL 177,632.497 capital were present in person. As a

result, 2,097,300,812 shares corresponding to a total of TL 20,973,008.12 capital was represented with a meeting quorum of 83,89%, satisfying the decision quorum set forth in the articles of association.

Investors did not propose additional items for the meeting agendas in both meetings.

Investors exercised their rights to ask questions in the general assembly meeting and all questions were answered in both meetings.

In order to facilitate attendance to the general assembly meetings, the venue and time of the meetings were published on the Public Disclosure Platform and the website of the company.

The meeting quorum of the board of directors (including the postponed meetings) is met with the attendance of at least five members. The quorum for board resolutions (including the postponed meetings), is affirmative votes of at least four) members, without prejudice to the conditions subject to the affirmative votes of independent members as per the Capital Markets Legislation and Corporate Governance Principles and insofar as these rules are not violated. There were no transactions referred to the general assembly due to dissenting votes of the board members.

Other stakeholders participated in both meetings.

Informative notes on the general assembly meetings that presented explanatory information on the agenda items were issued and published on the website of the company prior to the meeting. Additionally, the annual report for the reporting period, financial statements, dividend distribution proposal and articles of association were made available for review in the headquarters of the company before the ordinary general assembly meeting.

In the ordinary general assembly meeting, investors were informed that the company made donations in the reporting period in the amount of TL 78,738 and the donated amount was under the upper limit determined for the year of 2015 in the general assembly meeting as a separate agenda item. The annual limit for donations was approved as TL400,000.

Minutes of the general assembly meetings are published under the heading "General Assembly Announcements" in the investors section on the company website and the Central Registry Agency Disclosure Platform.

There was no conflict of interest between the company or its subsidiaries and the shareholders that control the management, members of the board of

directors, executives with administrative responsibility or their spouses, relatives, relatives by marriage up to the second degree.

2.4. The Right to Vote and Minority Rights

The Company's shares are classified in two groups as Class A and Class B shares. As per the Articles of Association, one plus half of the board members, the chairperson, and the auditors shall be elected from among the candidates nominated by Class A shareholders. The share capital of the company does not involve any cross shareholding. The articles of association do not include a provision in relation to extending minority rights beyond 5% of the shareholders or regulating cumulative voting right.

2.5. The Right to Dividends

There are no privileges in the articles of association for participation to the profit of the company. Dividend policy is reviewed by the board of directors annually in line with the principles of corporate governance. A balanced and consistent policy with respect to the interests of the investors and the company is applied for profit distribution. The dividend distribution policy is prepared by the board of directors, taking into consideration the general economic conditions, long term investment and financing policies, as well as the cash position of the company. At least 55% of the distributable net profit for the period calculated in accordance with Turkish Commercial Code and CMB regulations and the Articles of Association of our company shall be distributed to our shareholders. Dividend distribution shall be made in cash or as capital increase by bonus issue or partly in cash and partly as capital increase by bonus issue. If the amount of the dividends is less than 5% of the paid-in capital, the corresponding amount in question shall be retained in the company.

On March 31, 2016, the board of directors resolved as follows:

According to Consolidated Financial Statements for the reporting period between January 1, 2015 and December 31, 2015 issued in compliance with International Accounting Standards and International Financial Reporting Standards and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited); the net distributable profit for the period in the amount of TL 39.894.790 calculated by deducting the "tax expense" and "first contingency reserve" amounts and adding the "donation". Taking into account market expectations, long-term

company strategy and investment and financing policies, it was decided to be proposed to the General Assembly not to distribute dividends from 2016 profit.

2.6. Transfer of Shares

The Company's articles of association do not contain any provision that restricts the transfer of shares.

SECTION III- PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Website and its Content

Available at www.logo.com.tr, the corporate website includes an investor relations section with all of the information required by the principles of corporate governance. A significant part of this information is also available in English.

3.2. Annual Report

The annual reports are prepared to contain all of the information required by the Principles of Corporate Governance.

SECTION IV- STAKEHOLDERS

4.1. Disclosure to Stakeholders

The Company defines any person, group or institution that affect or is affected by achievement of its objectives and sustainment of its operations and thus having legitimate interests on the operations of the company as its stakeholders. The company believes that the shareholder value can only be maximized by watching over the interests of all stakeholders and that the interests of the shareholders and stakeholders run parallel to each other. The company takes maximum care for the interests of stakeholders under this philosophy.

Stakeholders are invited to the meetings regarding any matter concerning them. Meetings, company website, e-mail, public disclosure platform and e-Yönet website and the Central Registry Agency Disclosure Platform is used as means of communication with investors.

The Corporate Governance Committee and the Audit Committee are responsible for the assessment of the transactions that are considered to be against the regulation or ethically inappropriate by the stakeholders. The stakeholders can submit potential complaints to the Investor Relations Department via e-mail and/or telephone.

4.2. Stakeholder Participation in Management

The Company develops mechanisms and models encouraging participation of stakeholders, particularly employees, in management without impeding company operations. Suggestions and opinions collected via surveys are taken into consideration in our company operations.

Employee participation is one of the main principles of our human resource policy. Employees are granted adequate rights and responsibilities within their teams, and suggestions regarding business processes received from various channels are taken into consideration. Employees are encouraged by management to share their creative ideas, suggestions, and requests regarding company operations on the intranet. Teams open to the participation of all employees are established to work on business process improvement; and all improvement decisions are made based on employee suggestions. Additionally, top management holds one-on-one discussions with employees to receive and implement their ideas. Regular contact meetings are held with dealers and business partners and bulletins, interviews and the Internet is utilized to inform our dealers and customers.

4.3. Human Resources Policy

Our human resources policy is based on the principles of respect for human knowledge, objective evaluation, equal opportunity, employee participation, encouragement of development, continuous education, competency, and performance-based progress. Recruitment and promotions are based on the principle of equal opportunity, and decisions are made taking into consideration individual performance, knowledge and experience. No complaint of discrimination has been received to date. Company management considers the equal opportunity principles as one of the most important matters. Human Resources Department is in charge of performance and career management practices; planning, conducting, and measuring training and development activities; carrying out the recruitment process; managing the compensation system; and improving employee satisfaction. Job

descriptions, performance and reward criteria are announced to employees based on our human resources policy.

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

Employee affairs are handled by H. Esra Akar, Member of the Executive Committee Human Resources and Operations Nebahat Erden, Human Resources Manager.

4.4. Code of Ethics and Social Responsibility

The company's code of ethics is published on the corporate website. In addition to generally accepted ethical principles, the code of ethics is reviewed and revised regularly as the board of directors introduces new ethical rules in relation to the company and its stakeholders.

Responsibility towards society and the world is at the center of our company's mission, and we work to develop constructive approaches to social issues. The company holds free educational seminars in vocational schools and organizes activities to help students to pursue a career. We support educational programs both financially and in kind with our products. In addition to financial support provided in campaigns organized by non-governmental organizations and charities, Logo employees are also encouraged to participate in these events personally.

Aiming to become the leader in all areas, Logo is also setting the precedent with its contributions to the natural and social environment. In line with this, the company has made infrastructure investments, including solar energy supported transformers and virtual server systems, and developed new processes to eliminate paper and packaging use. Electronic, paper, battery, and plastic wastes are recycled and new tools and applications have been adopted to reduce electricity, water, and fuel consumption. We also strive to decrease carbon emissions.

SECTION V – BOARD OF DIRECTORS

5.1. Board Structure and Composition

The activities and management of the company are handled by the Board of Directors that consists of 6 (six) members that are selected by the general assembly in accordance with the provisions of Turkish Commercial Code. One plus half of the members of the board are selected from among the candidates that are nominated by Class A shareholders. Board members may be selected for a maximum term of 3 (three) years and can be selected again after their term is over. If it considers necessary, the general assembly may dismiss or change the board members. The number, qualifications, selection, nomination, terms of references and duties of the independent board members are determined in accordance with the capital markets regulations and the Principles of Corporate Governance. In that respect, Mr. Y. Önder Eren and Mr. M. Cengiz Ultav were selected as independent board members. The Chairman of the Board is selected from among the board members that were nominated by Class A shareholders.

The biographies of our board members and members of the executive committee are available on the company website.

If any member of the Board of Directors is declared bankrupt, faces restriction of capacity or lose the legal conditions required for membership or qualifications set forth in the Articles of Association, the membership of such members automatically comes to an end without any processes being required.

If a membership becomes vacant in the Board of Directors for any reason, the Board of Directors temporarily elects a person meeting the legal conditions for board membership and submits it for approval in the following general assembly meeting. Members selected in such manner shall serve until the general assembly meeting and if approved, they can complete the term of their predecessors.

If an independent board member does not satisfy any of the independence criteria during his/her term t or resign due to other reasons or when they are no more able to serve on the board, new independent members shall be appointed for vacant memberships by the board of directors to meet the minimum number of independent members in accordance with the Capital Markets Law and the Capital Markets Board's regulations.

Candidates due to the vacancy from a board member that was nominated by the Class A shareholders shall be nominated by the remaining board members that were nominated by the Class A shareholders.

Chairman of Corporate Governance Committee is Mr. Y. Önder Eren, one of our independent board members.

There is no independent member at the board who does not meet the independence criteria.

Board of Directors	Position	Executive Role	Term of Service
M. Tuğrul TEKBULUT	Chairman	Non-executive	[28.04.2016] /Ongoing
Murat ERKURT	Vice Chairman	Non-executive	[28.04.2016] /Ongoing
S. Leyla TEKBULUT	Member	Non-executive	[28.04.2016] /Ongoing
Orhan AYANLAR	Member	Non-executive	[28.04.2016] /Ongoing
Y. Önder EREN	Independent Member	Non-executive	[28.04.2016] /Ongoing
M. Cengiz Ultav	Independent Member	Non-executive	[28.04.2016] /Ongoing

Roles of the Board Members in Other Companies

The board of directors is authorized to manage, represent, and bind the company, as well as make decisions on any matter except for the issues requiring a decision of the General Assembly according to the Turkish Commercial Code, Capital Markets Law, and Articles of Association. The roles undertaken by our board members in our group companies or in other companies do not cause any conflict of interest with their board membership position.

5.2. Terms of Reference of the Board of Directors

The Board of Directors meets upon the invitation by the chairman as required. During the absence of the chairman, the invitation is to be made by the vice chairman. Any board member may call the board of directors for a meeting with a written request made to the chairman. The agenda for the board meetings is prepared by the board secretariat regularly or as required in coordination with the chairman or vice chairman. The financial and legal affairs department and the executive management secretariat facilitate

communication among the board members in respect of the meetings. The date and agenda of the board meetings are notified seven days in advance by certified mail, telex, fax or electronic mail. The board of directors meets and takes resolutions at the headquarters of the company. If deemed necessary, the chairman may invite members for a meeting in a place other than the headquarters of the company.

The meeting quorum for the board of directors including the postponed meetings is established upon the attendance of at least five members. Affirmative votes of at least four board members are required for board resolutions including the postponed meetings, save for and without detriment to the board resolutions that require affirmative votes of the independent board members as per the Capital Markets Regulations and the Principles of Corporate Governance.

Board members do not have the right of veto, privilege or a special voting right in case of equality of the votes. Each member of the board of directors has one vote including the chairman and no board member has a weighted voting right.

The Board of Directors convened 19 times in 2016. In the reporting period, there was no dissenting vote, reasons for which were required to be recorded into minutes, submitted to the independent auditors in writing or announced to the public. Meeting minutes are trade secrets and cannot be disclosed to the public. However, material issues that are resolved in the meeting shall be announced to public through a material disclosure statement. Material board resolutions are also disclosed on the company's website.

Board resolutions that involve material transactions or related party transactions require affirmative votes of majority of the independent members as per Corporate Governance Communiqué II-17.1 of the Capital Markets Board. D&O liability insurance policy has been purchased for potential losses that might occur as a result of a fault by the board members.

5.3. Number, Structure and Independence of Board Committees

Terms of reference of the board committees were prepared and relevant units were assigned with the duty to follow up. The Audit Committee provided opinion to the board of directors on the selection of the independent auditor, auditing of the financial statements and the financial situation of the company. The Corporate Governance Committee provided recommendations on the amendments made to the articles of association, compliance to the Principles

of Corporate Governance and evaluated the efficiency of investor relations related activities topics. The Risk Committee also provided opinion to the board of directors on relevant matters.

The Audit Committee, the Corporate Governance Committee and the Risk Committee provided significant contributions to our company in terms of improving corporate governance practices and ensuring that the financial statements are accurately and transparently prepared in compliance with the regulations. A Nomination Committee and a Remuneration Committee were also established as per the Corporate Governance Communiqué.

Committee members are elected from among non-executive members and independent members of the board. Independent members serve as chairpersons of the committees.

Because there are 2 (two) independent members in the Board of Directors, the same independent member has to serve in more than one committee. The procedures to be followed by the committees were specified in line with the terms of reference disclosed on the website of the company and Public Disclosure Platform. Both the Chairman and the member of the Audit Committee were appointed from among independent members. The chairpersons of other committees are also independent board members and their members were elected from among the non-executive members. Qualifications of committee members are presented in the company website.

TERMS OF REFERENCE OF THE COMMITTEES

AUDIT COMMITTEE

Y. Önder EREN, Chairman

M. Cengiz ULTAV, Member

Terms of Reference

Purpose

The Audit Committee was established with a Board of Directors resolution in accordance with the Capital Market Board's Communiqué Series X, No. 19, Article 3 in order to assist the Board of Directors in fulfilling its financial and operational duties. The Audit Committee shall supervise the execution and monitor the efficiency of the accounting system of the company, the disclosure of financial information to the public, and the internal control system.

Authority and Scope

The Audit Committee shall

- take all necessary measures to ensure that financial statements are accurate, transparent, and prepared in accordance with international accounting standards. The Committee shall also declare its opinion to the Board of Directors in a documented manner upon receiving the opinion of the external audit firm;
- review the independence and proficiency of the independent audit firm and its staff on behalf of the Board of Directors;
- monitor the accounting system of the Company, the public disclosure of financial statements, and the efficient functioning of the external audit and internal control systems;
- oversee the appointment of the audit firm, preparation of audit agreements, and initiation of the audit process and all activities related to the external audit process;
- evaluate and resolve any complaint from within or outside the Company regarding accounting practices, the internal control system, and external auditing; and
- review measures taken for adaptation to the legal and internal policies of the Company. The Committee shall advise the Board of Directors within its scope of responsibilities. Final decisions ultimately rest with the Board.

Structure of The Committee

All members of the audit committee comprise of the independent members of board of directors as per Corporate Governance Communiqué II-17.1 of the Capital Markets Board.

The Committee members shall be determined each year at the first Board meeting following the Ordinary General Assembly meeting.

Committee Meetings and Reporting

The Audit Committee shall convene at least three times per year and submit the minutes to the Board of Directors. The Audit Committee shall produce minutes of its proceedings, which are to be signed by Committee members and archived properly. The Committee shall inform the Board about matters within its scope of responsibility.

Responsibilities

a) Financial Statements and Public Disclosure

- The Audit Committee shall monitor whether financial statements and their explanatory notes are prepared in accordance with the applicable accounting standards upon receiving the opinion of the external audit firm and relevant managers in charge.
- The Committee shall review the annual report disclosed to the public and oversee the accuracy and consistency of the information included in the report.
- The Audit Committee shall review the changes in accounting policies, internal control system and regulations that would materially impact the financial statements of the Company and report the same to the Board of Directors.
- The Audit Committee shall review any legal matters that could have a significant impact on the Company's financial statements.

b) Independent Audit Firm

- The Audit Committee is responsible for the evaluation of the external audit firm to be selected and for monitoring their activities after selection and signing of the agreement.
- Appointment or change of the external audit firm, initiation of the audit process, and review and evaluation of the audit firm's activities shall be conducted under the auspices of the Audit Committee.
- The Audit Committee shall inform the Board of Directors about matters that hinder the efficiency of the audit process in terms of scope and process, as recommended by the external auditor.
- The Audit Committee shall assess the external auditor's independence.

- The Audit Committee shall ensure that it receives information regarding material issues identified by the external auditor and their recommendations for overcoming those issues, and shall discuss them in a timely manner.
- The Audit Committee shall review and approve all fees and compensation relating to the external auditor.

c) Compliance to Legal Requirements

- The Committee shall ensure the activities of the Company are conducted in accordance with legal requirements and internal regulations and identify procedures to follow in case of noncompliance.
- The Audit Committee shall ensure the confidential evaluation of complaints received regarding accounting, the internal control system, and external auditing.

CORPORATE GOVERNANCE COMMITTEE

Y. Önder EREN, Chairman

M. Tuğrul TEKBULUT, Member

Murat ERKURT, Member

Orhan AYANLAR, Member

Berna KÖKTENER, Member

Terms of Reference

Purpose

The Corporate Governance Committee was established in order to monitor whether corporate governance principles are fully followed by the company, determine the reasons for and any conflict of interests arising from lack of compliance, offer remedial advice to the Board of Directors, and supervise the Investor Relations Department. The Committee also carries out the duties of the Nomination and Remuneration Committees as outlined in the Principles of Corporate Governance, including identification and evaluation of candidates for Board positions and training of the members of the Board (nomination related responsibilities) and determination of compensation criteria for Board members and senior managers (remuneration related responsibilities)

Authority and Scope

The Committee shall arrange for periodic reviews of its terms of reference and, if necessary, recommend any changes to the Board of Directors, with which the final decision on approval ultimately rests.

The Corporate Governance Committee's responsibilities include

- a) improving corporate governance standards and facilitating internalization and implementation of the Principles of Corporate Governance within the Company;
- b) conducting an annual performance assessment of the Board of Directors and presenting the report for the Board's approval;
- c) supervising the Investor Relations Department;
- d) making recommendations on the functioning and effectiveness of the Board of Directors and its committees.

NOMINATION COMMITTEE

Y. Önder EREN, Chairman

M. Tuğrul TEKBUŁUT, Member

Murat ERKURT, Member

Orhan AYANLAR, Member

- a) establishing a transparent system to identify, evaluate and train appropriate candidates for the Board of Directors and developing related policies and strategies;
- b) arranging for periodic reviews of the structure and efficiency of the board of directors and recommending changes thereto; and
- c) establishing and reviewing approaches and practices for performance evaluation and career planning of board members and senior managers.

REMUNERATION COMMITTEE

Y. Önder EREN, Chairman

M.Tuğrul TEKBULUT, Member

Murat ERKURT, Member

Orhan AYANLAR, Member

- a) advising the Board on the framework for remuneration of Board members and senior managers in line with the long-term objectives of the Company;
- b) determining compensation criteria for Board members and senior managers according to Company and individual performance (Stock options and payment schedule based on company's performance are not used in remuneration of independent board members.); and
- c) advising the Board on the compensation packages of Board members and senior managers based on their achievements.

Structure of The Committee

- a) The Committee shall be established as per the Articles of Association of the Company. The Committee shall consist of at least two members.
- b) The chairperson of the Committee shall be appointed from among the independent Board members.
- c) If the Committee comprises two members, then both of them should be selected from among the non-executive Board members; if it comprises more than two members, then the majority should be selected from among the non-executive Board members. The CEO, general manager and the CFO cannot be members of the committee.
- d) The Committee may seek professional opinions of specialist advisors if necessary.
- e) The Committee members shall be determined each year at the first Board meeting following the Ordinary General Assembly meeting.
- f) The Committee shall convene with the presence of a majority of its members and make decisions by majority votes.

g) The secretary of the Board shall also be the secretary of the Corporate Governance Committee.

Reporting Responsibilities

- a) The Committee shall convene as it is required to perform its duties.
- b) The decisions of the committee shall be submitted to the board of directors.
- c) The secretary of the board of directors is responsible for preparing and keeping the reports and shall archive the meeting minutes after circulating them to the committee members.

RISK COMMITTEE

M. Cengiz ULTAV, Chairman

S. Leyla TEKBUŁUT, Member

Terms of Reference

Purpose

The Risk Committee shall identify the risks that might endanger the existence, development, and continuity of the Company, implement required measures and conduct risk management related studies, and review the risk management systems at least once a year.

Scope

The Risk Committee shall;

- a) create effective internal control systems to determine the possibility and extent of the significant risks that would affect the Company in achieving its strategic objectives;
- b) carry out duties needed to integrate risk management and internal control systems into the corporate structure of the Company;

- c) carry out duties needed to measure and report risk factors through risk management and internal control system, and use the same in the decision making process; and
- d) arrange for periodic reviews of its terms of reference and, if necessary, recommend any changes to the Board of Directors, with which the final decision on approval ultimately rests.

Structure of the Committee

- a) The Committee shall be established in line with the Articles of Association of the Company.
- b) The Committee shall consist of at least two members and the chairperson shall be selected from among the independent board members. The CEO or the general manager cannot become a member of the committee.
- c) The Committee may seek professional opinions of specialist advisors if necessary.
- d) The Committee members shall be determined each year at the first board meeting following the ordinary general assembly meeting.
- e) The Committee shall convene with the attendance of one plus half of its members and take decisions by majority of the votes.
- f) The secretary of the board of directors acts also as the secretary of the risk committee.

Committee Meetings and Reporting

- a) The risk committee shall convene at least quarterly and submit the minutes to the Board of Directors.
- b) The committee shall inform the board about matters within its scope of responsibility.
- c) The secretary shall take minutes and file the proceedings and resolutions of committee meetings.

The number of committee meetings in 2016 is given below:

Audit Committee: 5

Corporate Governance Committee: 4

Nomination Committee: 1

Remuneration Committee: 1

Risk Committee: 6

5.4. Risk Management and Internal Control Mechanism

The purpose of risk management and internal control mechanism is to identify all existing and potential risks for the Company, development of practices for minimization of the identified risks and monitoring of such practices. The internal control mechanism was constituted by the Company and effectiveness of risk management and internal control mechanism was monitored under the supervision of Risk Committee. Risk management and internal control mechanisms are effectively operating to identify and manage existing and potential risks. Risks that are faced by the company fall under two categories as operational and financial risks. The functioning and efficiency of the company's accounting system, announcement of financial statements and the independent audit and internal control systems are monitored by the Audit Committee.

5.5. Strategic Objectives of the Company

The board is managing and representing the company with its strategic resolutions by taking into consideration primarily the long-term interests of the company, with a cautious risk management. The board aims to balance the risk, growth and return at the optimum level, while achieving the specified and publicly disclosed operational and financial performance targets. The strategic targets of the company are prepared and set in line with the suggestions of the top management and guidance of the board of directors and are attributed to the budget targets after being put in numbers. The board of directors holds strategic reviews and sets strategic target periodically, together with the executive committee member responsible for the financial and legal affairs.

5.6. Financial Benefits

Any rights, benefits and remuneration provided for Board Members and senior executives as well as the criteria used for specifying the same and the Remuneration Policy comprising the remuneration principles are announced on the Company website. As per the Capital Markets Board's regulations, the Remuneration Policy, prepared in accordance with the Principles of Corporate Governances, for the board members and the executive team was declared to the shareholders in the General Assembly meeting of April 28, 2016. Financial benefit is provided only to the independent board members in the gross amount of TL 5,000 per month. Other board members do not receive any financial benefit from the company due to their position in the board. The company did not grant any warranty, debt or loan to any board member or executive.