

# COMPLIANCE REPORT ON CORPORATE GOVERNANCE PRINCIPLES

## 1. Compliance Report on Corporate Governance Principles

Within the frame of the Corporate Governance Principles set down in the “Communiqué on Corporate Governance”, , No. II-17.1, of the Capital Markets Board (“CMB”) promulgated in the Official Gazette edition 28871 on 03 January 2014, this statement deals with the following responsibilities of İş Finansal Kiralama Anonim Şirketi (the “Company”) on regulation of relations with shareholders, enlightenment of public, transparency, and regulation of relations with stakeholders, and determination of duties, powers and responsibilities of the Board and its committees and their executives.

İş Leasing, as a strong and leading company in the financial leasing sector, is using its rights and fulfilling its responsibilities in its relations with its employees and customers and other relevant parties, particularly its shareholders, within the frame of an efficient and effective management and supervision system based on accountability, equality, transparency and responsibility, being the global elements of its corporate governance approach.

Being conscious and cognizant of the fact that a good corporate governance practice may be ensured only through determination of a management strategy, and creation of an effective risk management and internal control mechanism, and formulation of ethical rules, and management of investor relations and performance of public disclosure obligations at the required quality level within the scope of information policy, and efficiency in formation and activities of the Board, it is a goal of the Company to assure maximum compliance with the said principles.

Corporate governance applications of the Company are being regularly and independently rated since 2009, and the latest of these ratings was conducted in 2014 by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (“Saha Rating”) who assigned our Company the corporate governance principles compliance rating of “9.07” over full rating of “10”. The Company is listed on BİST Corporate Governance Index, also it was included to the World Corporate Governance Index (WCGI) which was published by Saha Rating on 4 July 2014.

The Company has its operations in full compliance with all of the compulsory items included to the corporate governance principles by implementing all required policies and measures. Governance and internal control mechanisms as established by the Company are actively and efficiently put into operation, and any corporate governance risks as may be identified are actively managed. The rights of the shareholders and stakeholders are fairly observed, and public disclosure and transparency subject are given maximum care and importance.

Structure and modus operandi of the Board are in the best practices category, However, the Company has not yet ensured full compliance with some rules and articles included in the corporate governance principles, though not mandatory, and the reasons of such non-compliance are explained and justified under the following headings.

Details of compliance initiatives and works are presented in the relevant sections of this report.



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**PART I - SHAREHOLDERS****2. Shareholder Relations Unit**

There is an Investor Relations Unit, in charge of relations with shareholders is in the Company.

Name and Surname	Position	Telephone Number	Elektronic Mail Adress
Sn.Nida Çetin	Deputy General Manager	0 212 350 74 00	nidacetin@isleasing.com.tr
Sn.Onan Keleş	Manager	0 212 350 74 50	onankeles@isleasing.com.tr
Sn.Neslihan Oruç	Manager	0 212 350 74 70	neslihanoruc@isleasing.com.tr
Sn.Ayşe Perk	Supervisor	0 212 350 74 78	ayseperk@isleasing.com.tr

Investors Relations Unit reports directly to the Assistant General Manager Ms. Nida Çetin. Ms. Nida Çetin and Ms. Neslihan Oruç have got Capital Markets Advanced Level License and Corporate Governance Rating Specialization License certificates.

Activities of this unit are being regularly reported to the Board and the Corporate Governance Committee.

The main duties and functions of the Investor Relations Unit are primarily:

- To ensure that records relating to shareholders are kept accurately, safely and up-to-date;
- To satisfy the written information demands of shareholders with regard to the Company, except for confidential information and/or trade secrets which have not yet been made public;
- To ensure that the meetings of the General Assembly are held in accordance with the applicable laws, the articles of association and other internal bylaws and regulations of the Company;
- To prepare the documents for use by shareholders in the General Assembly meetings;
- To ensure that the voting results are duly recorded, and reports on voting results are sent to shareholders;
- To supervise and monitor all and any matters relating to enlightenment of public, also including the applicable laws and regulations and the Company's information policy;
- To prepare and issue information reports for domestic and foreign investors, and if and to the extent needed, to organize presentations and meetings.

All of 8 verbal information demands received from shareholders during the report period have been met by the Investor Relations Unit, and a total of 14 information meetings have been organized for local and foreign investors, and shareholder records have been kept up-to-date.

The Company's internet website has been updated within the frame of the "Communiqué on Corporate Governance", No. II-17.1.

The 2013 annual ordinary General Assembly has been held on 26.03.2014 in accordance with the applicable laws and regulations, and the Company's articles of association and other internal bylaws. All procedures required to be completed prior to the General Assembly meeting have been carried out in accordance with the corporate governance principles, and decisions taken in the General Assembly meeting have been made public in a timely manner.



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### 3. The Use of Shareholders' Rights of Obtaining Information

All kinds of information demands of shareholders, except for trade secrets or non-public information, are satisfied and met within the frame of the applicable laws.

Information demands of shareholders are reviewed and assessed at a minimum at the level of Deputy General Manager, and are met diligently, accurately and completely in such manner to fairly reflect the truth, in the soonest time possible, subject to limitations as to trade secrets and confidential information.

For the sake of effective use of shareholding rights, explanations on the frequently asked questions and all information about the developments affecting the use of rights are made public via the Company's internet website, while individual demands are being met by the relevant Unit. The information demands of shareholders about the legal and commercial relations between the Company and natural persons or legal entities being directly or indirectly related or affiliated to the Company in terms of capital, management or supervision are also met and satisfied to the extent allowed by the applicable laws.

Pursuant to the applicable laws, minority shareholders have the right to request the General Assembly to appoint a special auditor to inspect and audit some specific events and matters. None of the shareholders of the Company has requested the General Assembly to appoint a special auditor during 2014. However, the demand of appointment of special auditor is not incorporated as an individual right in the articles of association of the Company.

### 4. General Assembly Meetings

During the report period, one General Assembly meeting has been held, namely the 2013 Annual Ordinary Meeting of the General Assembly.

The 2012 Annual Ordinary Meeting of the General Assembly has been held with participation of our shareholders representing 59.3%, i.e. 230.6 million TL of the paid capital of 389 million TL of our Company.

The meeting has not been attended by media or stakeholders other than shareholders.

As the Company's articles of association does not contain a clause allowing participation of media and stakeholders, other than shareholders, in the General Assembly meetings, neither media nor stakeholders, other than shareholders, are accepted to the meetings of the General Assembly.

The call for meeting, containing information about the place, date, time and agenda of the meeting, and a sample form of power of attorney required there in for, is made public no later than three weeks prior to the date of meeting in the Turkish Trade Registry Gazette, and Cumhuriyet newspaper, and the Public Disclosure Platform, and is separately published in the Company's internet website as well.

Information on the meeting has been further sent within the same period of time by registered mail, return requested,



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to the shareholders registered in the share book of the Company. All meeting-related information may also be retrieved from the Company's internet website.

Before the meeting, the financial statements and reports, the annual report, profit distribution proposal, information document prepared about the agenda topics of the General Assembly meeting, other documents relied upon in agenda topics, and last version of the articles of association have been kept ready and open for inspection by shareholders in the Company's headquarters and internet website.

At all stages of the meetings, shareholders are allowed to ask questions and raise proposals and motions. Shareholders have used their right to ask questions in the meetings, and the questions asked in the meetings have been instantly answered, as also clarified in the relevant meeting minutes.

We are showing maximum effort for facilitation of participation in the General Assembly, and no negative feedback has so far been received from shareholders in relation therewith.

Minutes of the General Assembly meetings have been circulated to shareholders at the end of meeting, and have separately been published in the Public Disclosure Platform and the Company's internet website in order to inform the shareholders who could not participate in the meeting.

Donations and grants made by the Company during the report period are detailed below, and these donations and grants will be presented to the information of shareholders as a separate agenda topic in the 2014 Annual Ordinary Meeting of the General Assembly. (Amounts are expressed in Turkish Lira.)

Others	500 TL
<b>TOTAL</b>	<b>500 TL</b>

## 5. Voting and Minority Rights

Pursuant to the articles of association, each share gives one voting right to its holder.

Though none of the shares in the share capital of the Company has a voting privilege, the Group "A" shareholders have the privileges of nomination of Directors and internal auditors and of giving consent to all and any amendments in the articles of association.

The Company does not have any mutual participation or shareholding relations with any other company.

The Board of Directors elected by the General Assembly does not contain any minority interest representative.

However, the Board of Directors contains 2 independent directors who do not represent any shareholder of the Company. The Company's articles of association does not cover any minority interests recognized in favor of holders of shares lower than one-twentieth of the share capital.



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## 6. Dividend Rights

No shares privileged in terms of participation in the sharing of profit of the Company exist.

The Company's profit distribution policy has been made public and published in the Company's internet website. This policy has been presented to the shareholders and been approved by majority of votes in the 2012 annual ordinary meeting of the General Assembly of Shareholders.

The amendments to the Company's profit distribution policy, made in accordance with the Profit Share Communiqué No. II-19.1 of the Capital Markets Board which was published in the Official Gazette No. 28891 and dated 23 January 2014, have been announced to the public and published in the website of the Company. The updated profit share policy was submitted to the approval of the General Assembly in its 2013 meeting. Full text of the profit distribution policy can be found in the activity report.

It was resolved in the Ordinary General Assembly Meeting in 2013 that, of the net profit of the period which is taken as the basis for the calculation of the profit distribution in accordance with the laws and regulations on Capital Markets Board, TL 37.138 million be distributed as first dividend in the form of bonus share and TL 15 million be distributed as cash dividend from the extraordinary reserves, and cash dividend distribution was completed on 01.04.2014 and bonus share distribution was completed on 03.07.2014.

## 7. Transfer of Shares

The Company's articles of association does not contain clauses restricting the transfer of shares.

## PART II - INFORMING THE PUBLIC AND TRANSPARENCY

### 8. Disclosure Policy

The Company's disclosure policy has been put into force by a decision, no. 934, dated 7 February 2006, of the Board of Directors.

The amendments to the Company's disclosure policy, made in accordance with the Exceptions Communiqué No. II-15.1 of the Capital Markets Board which was published in the Official Gazette No. 28891 and dated 23 January 2014, have been announced to the public and published in the website of the Company. The updated disclosure policy was submitted to the approval of the General Assembly in its 2013 meeting. Full text of the disclosure policy can be found in the activity report.

As updated, the up-to-date versions of the disclosure policy of the Company is made public, and is presented to shareholders for information purposes in the General Assembly meetings. Disclosure policy is published in Turkish and in English in the Company's internet website and annual report.



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The Investor Relations Unit is responsible for management of disclosure policy. Employees of the unit are given below:

Name and Surname	Position	Telephone Number	Elektronic Mail Adress
Sn.Nida Çetin	Deputy General Manager	0 212 350 74 00	nidacetin@isleasing.com.tr
Sn.Onan Keleş	Manager	0 212 350 74 50	onankeles@isleasing.com.tr
Sn.Neslihan Oruç	Manager	0 212 350 74 70	neslihanoruc@isleasing.com.tr
Sn.Ayşe Perk	Supervisor	0 212 350 74 78	ayseperk@isleasing.com.tr

To the best of the Company's knowledge, there is no material change in the management and activities of the Company planned for the future periods.

## 9. Company's Website and Its Contents

The Company's website is at the address of [www.isleasing.com.tr](http://www.isleasing.com.tr).

The Company's website which has been published both in Turkish and in English languages covers all subjects stipulated in the corporate governance principles.

## 10. Annual Report

The Company's Activity Report is prepared in conformance with the principles laid down in the Capital Markets Board's Communiqués No. II-14.1 on "Principles of Financial Reporting in Capital Markets" and No. II-17.1 on "Corporate Governance", is independently audited and disclosed to the public.

Furthermore, the annual report also covers the minimum contents specified in the "Regulation on Determination of Minimum Contents of Yearly Annual Report of Companies" issued and published by the Customs and Trade Ministry of the Republic of Turkey.

Annual report is detailed enough to ensure access of the public to complete and accurate information about the Company's activities, and the report further contains information referred to in the corporate governance principles.

## PART III - STAKEHOLDERS

### 11. Information to Stakeholders

Stakeholders are persons, entities or interest groups being related to activities of the Company or having an interest in achievement of objectives of the Company. Accordingly, stakeholders are determined as shareholders, employees, creditors, customers, suppliers, public entities and institutions, non-governmental organizations and potential savors who may consider to invest in the Company.

The stakeholders policy of the Company formulated within the frame of its corporate governance principles has been



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made public, and is also published in the Company's website. Said policy contains provisions relating to protection and information of stakeholders and their participation in management, as well as information about human resources policy, and relations with customers and suppliers.

Stakeholders are given information via material disclosures, general assembly meeting minutes, annual activity reports, financial reports, public disclosure platform and the Company's website.

Employees are informed about issues relating to objectives and fields of the Company through performance assessment meetings. Furthermore, memoranda of information published via the corporate portal established as an internal sharing system of the Company are also accessible by all employees.

A mail address of [icdenetim@isleasing.com.tr](mailto:icdenetim@isleasing.com.tr) has been formed in order to enable the employees to report to the Internal Audit Unit any events or issues which do not comply with the applicable laws and are considered to constitute a risk. For reporting of operational losses, the "Operational Loss Event Data Entry" screen on the portal is being actively used by the employees. In addition, the reportings of stakeholders to the Investor Relations Unit with respect to unlawful and unethical transactions of the Company are further transmitted to the Corporate Governance Committee and the Audit Committee through the "Investor Relations Form" included in the Company's website.

## 12. Inclusion of Stakeholders in Company Management

The Company's articles of association does not contain any clause pertaining to participation of stakeholders in the Company management. However, the Board of Directors includes independent directors as an assurance for equal protection of the rights and interests of shareholders and other stakeholders within the decisions taken.

Before material decisions are taken, to which extent the stakeholders will be affected therefrom is also taken into consideration.

The Company conducts "Employee Satisfaction Survey" for taking the opinions and active participation of its employees in the decision-making processes, and the results of this survey is announced to the employees after being assessed by the company's management.

Through this system, suggestions of employees aimed at improvement of their job and working conditions are collected and evaluated, and the suggestions found feasible are taken into consideration in formulation of the Company policies.

With a view to supporting the innovative and creative skills of employees, an "Employee Suggestion Platform" is operated in the Company portal in order to systematically assess and evaluate the suggestions for improvements and to actualize the suggestions found fit and feasible, and those who make such actualized suggestions are rewarded so as to encourage the innovative and creative contributions of employees.



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### 13. Human Resources Policy

Main principles of human resources policy of the Company are outlined below:

- The principle of leveling the playing field and providing equal opportunities to candidates in equal conditions in recruitment is adopted, and recruitment criteria are determined in writing.
- Ultimate attention is shown to ensure reliable and high standards in and to improve the working atmosphere and conditions in line with the needs.
- In decisions as to training, appointment and promotion, in addition to the existing objective data, the Company's interests are also taken into consideration.
- Decisions taken about the employees and developments affecting them are shared with the employees.
- With the intention of contributing to personal and performance development of employees, training plans are prepared, and employees are taken to training within the frame of a yearly training plan.
- No discrimination of race, religion, language and sex is allowed among the employees, and respect is shown to human rights, and employees are protected against internal physical and emotional mobbing acts.

During the report period, no complaint of discrimination has been received by the Company management from employees.

As the communication between the Company and its employees is established directly, it is not deemed necessary to separately appoint a representative for relations between the Company and its employees.

Job definitions, individual goals and performance and rewarding criteria are determined and announced by the Company management to employees.

### 14. Ethical Rules and Social Responsibility

Ethical rules of the Company have been made public and are published also in the Company's website.

The projects financed in this context are ensured to be in compliance with the laws pertaining to environment and public health.

As a requirement of its social responsibility, the Company is taking actions for recycling of used paper, and is giving support to social responsibility projects deemed fit and eligible.





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**PART IV – THE BOARD OF DIRECTORS****15. Structure and Composition of the Board of Directors**

The Board of Directors is composed of non-executive members, other than the General Manager, and Chairman of the Board of Directors and General Manager are different persons.

The Company has two Directors satisfying the independence criteria stipulated in the corporate

It has been decided that the duties of nomination committee will be performed by the Corporate Governance Committee in the Company, and the committee has nominated two independent member nominees, and has presented to the Board of Directors on 25.03.2014 a committee report of the same date discussing whether the nominees meet the independence criteria or not.

Name and Surname	Position	Executive/Non-executive	Term Of Office
Suat İnce	Chairman	Non-executive	2 years
Ozan Gürsoy	Vice Chairman	Non-executive	2 years
Halil Erođlu	Member	Non-executive	2 years
Burak Akgüç	Member	Non-executive	2 years
M. Hakan Berument	Independent Member	Non-executive	2 years
M. Baha Karan	Independent Member	Non-executive	2 years
Hasan K. Bolat	Member/General Manager	Executive	2 years
Z. Hansu Uçar	Member	Non-executive	2 years
Fikret Utku Özdemir	Member	Non-executive	2 years
Ünal Çakmak	Member	Non-executive	2 years
O. Tufan Kurbanođlu	Member	Non-executive	2 years

Curriculum vitae of the Directors are as follows:

**Suat İnce** (Chairman of Board of Directors)

Born in Ankara in 1965, Mr. İnce is a graduate of Division of Economy of Middle East Technical University. Starting his career in Türkiye İş Bankası A.Ş. in 1987, Mr. İnce worked as inspector, vice manager and area manager in credits department, commercial credits manager, corporate credits manager and branch manager, and is appointed as a Deputy General Manager in 2008. Since 2011, he is working as Deputy General Manager in charge of corporate and commercial banking, sales and marketing. Since 05 May 2008, Mr. İnce is the Chairman of the Board of Directors of İş Leasing.

**Ozan Gürsoy** (Vice Chairman)

Born in 1974, Mr. Gürsoy is a graduate of Division of Public Management of Middle East Technical University, and holds an MBA degree from University of Birmingham. Starting his career in Türkiye İş Bankası A.Ş. as an inspector in 1996, he is appointed as vice manager in corporate credits department in 2006, and as unit manager in corporate credits allocation department in 2009, and as corporate banking product manager in 2011. Mr. Gürsoy is a member of Board of Directors of İş Leasing since 14 October 2009.



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**Halil Erođlu** (Member)

Born in 1952, Mr. Erođlu is a graduate of the Political Sciences Faculty of Ankara University. Starting his career in Türkiye İş Bankası A.Ş. as an inspector in 1976, and after working in various different branches and general management units of Türkiye İş Bankası A.Ş., Mr. Erođlu has served as the general manager of Dışbank A.Ş. between 1996 and 1998, and as the general manager of İş Leasing between 1998 and 2001, and as the general manager of Sınai Yatırım Bankası A.Ş. between 2001 and 2002, and as the general manager of TSKB A.Ş. between 2002 and 2011. Mr. Erođlu is a member of Board of Directors of İş Leasing since 8 June 2011.

**Burak Akgüç** (Member)

Burak Akgüç was born in Istanbul in 1964 and graduated from the Department of Political Science, Boğaziçi University. Mr. Akgüç joined TSKB in 1991 as a Specialist in the Financial Analysis Department. After serving in a variety of positions, he was appointed as the Head of the Loan and Investment Department in 2001. He was promoted to the Deputy General Manager in 2005 and is currently responsible for the Corporate Marketing and Project Finance Divisions.

**Prof. Dr. M. Hakan Berument** (Independent Member)

Born in 1965, Mr. Berument is a graduate of Division of Economy of Middle East Technical University. Completed his post-graduate study in economics in University of Kentucky, and completed his doctorate study in University of North Carolina at Chapel Hill in 1994. Worked as academician in University of North Carolina between 1991 and 1994, and as visiting assistant associate professor in Wake Forest University between 1994 and 1995, and as assistant associate professor in Bilkent University between 1995 and 1999, and as Senior Economist in the Turkish Central Bank in 1999, and as assistant associate professor in Bilkent University between 1999 and 2003, and as associate professor in the same university between 2003 and 2007, and became a professor in 2007. Mr. Berument is currently an academician in Division of Economy of Bilkent University. Mr. Berument is elected as independent member of Board of Directors of İş Leasing on 29 March 2012.

**Prof. Dr. Mehmet Baha Karan** (Independent Member)

Having graduated from Business Administration Division of Middle East Technical University in 1978, Mr. Karan completed his doctorate study in Business Administration Division of Gazi University in 1984. After working as Associate Professor in Business Administration Division of Hacettepe University between 1996 and 2002, Mr. Karan is working as Professor in the same University since 2003. Worked as Founder Manager in Financial Researches Center of Hacettepe University between 1998 and 2004, as Vice Dean in Economic and Administrative Sciences Faculty of Hacettepe University between 2007 and 2009, and as President of Business Administration Division of Hacettepe University between 2009 and 2012 and currently is working as academician Business Administration Division of Hacettepe University. Furthermore, Mr. Karan has also served as chairman, director and executive in various different international professional organizations such as Multinational Finance Society and Professional Risk Managers' International Association (PRMIA).

**Hasan K. Bolat** (Member)

Born in 1966, Mr. Bolat is graduated from Ankara University, Faculty of Political Sciences, Division of International Relations. Starting his job career as an inspector in Türkiye İş Bank in 1988, Mr. Bolat is appointed as Şişli branch vice manager in 1996. After serving as Gaziosmanpaşa branch manager between 2000 and 2002, and as Dudullu Industrial branch manager between 2002 and 2003, and as commercial credits regional manager between 2003 and 2007, and as SME credits department head between 2007 and 2013. Mr. Bolat is further working is a member of board of directors of Efes Varlık Yönetim A.Ş. since 28 March 2013. Mr. Bolat is appointed as İş Leasing General Manager on 07.03.2013.



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**Z. Hansu Uçar** (Member)

Born in 1971, and having graduated from Middle East Technical University, Division of Business Administration, Ms Uçar has started her job career as an assistant investment specialist in the Department of Subsidiaries of Türkiye İş Bankası A.Ş. in 1994. After working in management steps in charge of various group companies in the same Department, Ms Uçar is working as unit manager in the Department of Subsidiaries since 2007. Further serving as a member of board of directors and internal auditor in various group companies of Türkiye İş Bankası A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. since 2004, Ms Uçar has been elected as a member of board of directors of İş Finansal Kiralama A.Ş. on 30 July 2013, is at the same time a member of Early Detection of Risk Committee and Corporate Governance Committee.

**Fikret Utku Özdemir** (Member)

Born in 1970, Mr. Özdemir is graduated from Middle East Technical University, Division of Business Administration. Holding a finance master's degree from Edhec Business School, Mr. Özdemir has started his job career as an inspector in Türkiye İş Bank in 1996. After an internship in risk management department between 2001 and 2002, Mr. Özdemir worked as Commercial Credits Allocation Unit Vice Manager between 2006 and 2009, and is appointed as Commercial Credits Allocation Unit Manager in 2009. Being appointed as international financial institutions department manager on 28 June 2013, Mr. Özdemir is a member of Board of Directors of İş Finansal Kiralama A.Ş. since 29 March 2013.

**Ünal Çakmak** (Member)

Born in 1975, Mr. Çakmak is graduated from Selçuk University, Faculty of Economic and Administrative Sciences, Division of Business Administration, and further holds a MBA from Yeditepe University. Starting his job career as an officer in Nişantaşı Branch of Türkiye İş Bank in 1999, Mr. Çakmak has served as Assistant Service Supervisor in Türkiye İş Bank's Software Development Department between 2001 and 2004, and as Assistant Service Supervisor and Second Manager in Commercial Credits Allocation Unit between 2004 and 2007, and is appointed as Second Manager to SME Credits Allocation Unit in 2007. Becoming Vice Manager in the same unit in 2009, Mr. Çakmak is currently working as Unit Manager in SME Credits Allocation Unit. Mr. Çakmak has been elected as a member of board of directors of İş Leasing on 19 November 2013.

**O. Tufan Kurbanoğlu** (Member)

Born in 1971, Mr. Kurbanoğlu is a graduate of Division of Public Management of Middle East Technical University. Starting his job career as an inspector in Türkiye İş Bank in 1993, Mr. Kurbanoğlu is appointed as Vice Manager in Corporate Credits Monitoring and Follow-up Department in 2002. Mr. Kurbanoğlu has served as vice manager between 2002 and 2006, and as Regional Manager in Retail Credits Monitoring and Follow-up between 2011 and 2014, and is appointed as Commercial and Corporate Credits Monitoring and Follow-up Department head in 2004. Mr. Kurbanoğlu is currently working as Head of Commercial and Corporate Credits Monitoring and Follow-up Department.

Independence statements of independent members of the Board of Directors are as follows:

**INDEPENDENCE STATEMENT**

I, the undersigned, hereby declare, state and warrant:

- That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;
- That no direct or indirect employment, capital or other material commercial relations have been established in the recent five years between the Company, or any one of the related parties of the Company, or other legal entities connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage



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up to third degree on the other hand;

- That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;
- That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;
- That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;
- That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors; and
- That I am deemed a resident of Turkey according to the Income Tax Law; and
- That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;

therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.

Name & Surname : Prof. Dr. M. Hakan BERUMENT

Date : 26.03.2014

**INDEPENDENCE STATEMENT**

I, the undersigned, hereby declare, state and warrant:

- That I have not served as a director to İş Finansal Kiralama A.Ş. for more than six years in total during the recent ten years;
- That no direct or indirect employment, capital or other material commercial relations have been established in the recent five years between the Company, or any one of the related parties of the Company, or other legal entities connected in management and capital terms to the shareholders directly or indirectly holding 5% or more shares in the capital of the Company on one hand, and me and my spouse and my blood relatives and relatives by marriage up to third degree on the other hand;
- That during the recent five years I have not worked in or served as a director to service providers managing the operations and organization of the Company as a whole or in part within the frame of contracts, and particularly, the firms engaged in audit, rating and consultancy services for the Company;
- That during the recent five years I have not worked as partner, employee or director in any one of the firms supplying material services and products to the Company;
- That if I hold shares due to my office in the Board of Directors, I hold less than 1% of shares, and my shares are not preferential or privileged;
- That I have the required professional training, knowledge and experience as required for performance of my duties assumed by me as an independent member of the Board of Directors;
- That I am deemed a resident of Turkey according to the Income Tax Law;
- That I have strong ethical standards, professional reputation and experience which enable me to make positive contributions to operations and activities of the Company, and to protect my neutrality in conflicts of interests among the partners of the Company, and to give decisions freely in consideration of the rights of stakeholders;



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therefore, I am going to perform my duties and functions as a director of the Company as an independent member of the Board of Directors.

Name & Surname: Prof. Dr. M. Baha KARAN

Date: 26.03.2014

The Company has not imposed certain rules pertaining to outside jobs of the Directors, and the guidelines determined in the corporate governance principles are complied with in connection therewith.

Outside jobs and duties of the Directors are as below:

Name and Surname	Company	Position
Suat İnce	Türkiye İş Bankası A.Ş. / Group company	Deputy General Manager
	CJSC İşbank / Group company	Member of Board of Directors
	İşbank AG / Group company	Member of Board of Directors
Ozan Gürsoy	Türkiye İş Bankası A.Ş. / Group company	Corporate and Commercial Banking Product Unit Manager
Burak Akgüç	Türkiye Sınai Kalkınma Bankası A.Ş.	Deputy General Manager
Prof. Dr. M. Hakan Berument	Bilkent University / Out of Group	Academician
	Economic Research Forum / Out of Group	Researcher
	Economic Researchers Association / Out of Group	Member of Board of Directors / Member of Advisory Committee
Prof. Dr. M. Baha Karan	Hacettepe University / Out of Group	Academician
	Anadolu Hayat Emeklilik A.Ş. / Group company	Independent member of Board of Directors
	Energy Markets Research and Application Center of Hacettepe University	Member of Board of Directors
	Professional Risk Managers' International Association	Co-chairman in Turkey
Z. Hansu Uçar	Multinational Finance Society	Chairman
	Türkiye İş Bankası A.Ş. / Group company	Participations Department Unit Manager
Fikret Utku Özdemir	Türkiye Şişe ve Cam Fabrikaları A.Ş., Soda Sanayii A.Ş., Trakya Cam Sanayii A.Ş., Trakya Yenişehir Cam Sanayii A.Ş., Trakya Polatlı Cam Sanayii A.Ş., Anadolu Cam Sanayii A.Ş., Anadolu Cam Yenişehir Sanayi A.Ş., Paşabahçe Cam Sanayii ve Ticaret A.Ş., Paşabahçe Mağazaları A.Ş., Çayırova Cam Sanayii A.Ş., Camış Madencilik A.Ş., Anadolu Cam Eskişehir Sanayii A.Ş., Asmaş Ağır Sanayi Makinaları A.Ş., Cam Elyaf Sanayii A.Ş., Kültür Yayınları İş Türk A.Ş., Camış Yatırım Holding A.Ş., Avea İletişim Hizmetleri A.Ş., İş Faktoring A.Ş./ Grup İçi	Yönetim Kurulu Üyesi
	Türkiye İş Bankası A.Ş. / Group company	International Financial Institutions / Department Manager
	Türkiye İş Bankası A.Ş. / Group company	SME Credits Allocation Department/Unit Manager
	Türkiye İş Bankası A.Ş. / Group company	Commercial and Corporate Credits Monitoring and Follow-up / Department Manager



## COMPLIANCE REPORT ON CORPORATE GOVERNANCE PRINCIPLES

**16. Fundamental Principles of the Board of Directors' Activities**

The Board of Directors meets as often as required for effective performance of its duties.

Agenda of the Board meetings is prepared by the Chairman of the Board of Directors in due consultation with other directors and General Manager. Information and documents relating to the topics included in the agenda of a Board meeting are presented to the Directors for their consideration through an equal information flow an adequate time beforehand. Calls for the Board meetings are first made verbally by phone, and later in writing by e-mail, and the General Management secretariat is assigned for calls and information process.

A total of 4 Board meetings are held during 2014.

<b>Date</b>	<b>Decision No.</b>	<b>Participation</b>	<b>Decision Quorum</b>
12.02.2014	2113	8 directors attended.	Unanimous vote
27.05.2014	2153	10 directors attended.	Unanimous vote
24.09.2014	2193	10 directors attended.	Unanimous vote
11.12.2014	2209	All directors attended.	Unanimous vote

Questions asked and comments made by the directors in the meetings, and if any, the justification of votes on decisions are recorded in the minutes of decisions. None of the directors has given a dissenting vote in 2014 meetings.

Board of Directors' meetings take place at the Company's headquarters, and important decisions of the Board of Directors are announced to the public via Public Disclosure Platform and published in the Company's corporate website.

Authorizations and responsibilities of the Board Members of the Company are clearly defined in the Articles of Association and the Company's authorized signatory list. The Board of Directors plays a leading role in the maintenance of efficient communication and settlement of possible disputes between the Company and the shareholders and is in close cooperation with the Relations with the Shareholders Unit.

According to articles of association of the Company, the Directors do not have any cast vote or veto right. Pursuant to the articles of association of the Company, the Board of Directors meets majority of the members, and takes its decisions with affirmative vote of majority of the members present in the meeting. There is no internal company regulation relating to formal requirements of Board meetings.

In 2014, all related party transactions and transaction principles have been submitted to the approval of the Board of Directors. All relevant decisions have been taken by unanimous vote and there was no related-party or significant transaction which was not approved by independent members of the board and therefore needed to be submitted to the General Assembly. There was no decision taken to the General Assembly due to a related party or significant transaction either. "Executive Liability Insurance" was taken for the compensation of the possible damages of the Company and the third parties due to the faults of the Board members of the Company during their execution of their duties.



## COMPLIANCE REPORT ON CORPORATE GOVERNANCE PRINCIPLES

**17. Number, Structure and Independence of Committees Appointed by the Board of Directors**

Within the frame of the “Communiqué on Corporate Governance”, No. II-17.1, of CMB (“Communiqué”), an Audit Committee to perform the duties of Audit Committee of Board of Directors, and a Risk Management Committee to perform the duties of the Committee for Early Detection of Risks, and a Corporate Governance Committee to perform the duties of the Committee for Nominating Committee and Remuneration Committee are formed within the organization of the Board of Directors.

**Audit Committee**

The two-member Audit Committee is chaired by M. Hakan Berument, a non-executive Independent Member of the Board of Directors. Other member of the Committee is Prof. Dr. M. Baha Karan, a non-executive Independent Member of the Board of Directors.

Duties and operating principles of the Audit Committee have been approved and put into effect by our Board of Directors, and the committee is working within the frame of these principles.

**Regulation for Audit Committee****Article 1 Purpose and Scope**

This Regulation covers the establishment of an Audit Committee, and regulation of the duties and responsibilities of this Committee as well as its operational procedures in order to ensure that the Board of Directors fulfills its supervisory and audit duties and responsibilities in a healthy manner.

**Article 2 Justification**

This Regulation has been prepared based on the Corporate Governance Communiqué of the Capital Markets Board.

**Article 3 Establishment of the Audit Committee**

An audit committee is established by at least two members to be selected from among the Board members.

The members of the Committee elect a Chairman among themselves.

All of the Committee members are elected from among the independent members of the Board.

If possible, at least one of the members of the Audit Committee should be elected from the Board members having a minimum 5 years of experience in audit/accounting and finance topics.

Committee membership automatically ends upon the termination of the Board membership of the relevant member.

**Article 4 Duties and Responsibilities of the Audit Committee**

The duties and responsibilities of the Audit Committee have been outlined below.

- The Audit Committee supervises the operation and efficiency of the Company's accounting system, disclosure of its financial information, its independent audit and its internal control and internal audit system.
- The selection of the independent audit firm, commencement of the independent audit process after preparing the independent audit contracts, and the subsequent works of the independent audit firm at all times is conducted under the supervision of the Audit Committee.
- The Audit Committee determines the name of the independent audit firm and the services to be procured from it, and



## COMPLIANCE REPORT ON CORPORATE GOVERNANCE PRINCIPLES

submits this list to the approval of the Board of Directors.

- The Audit Committee determines the methods and criteria to apply to the processing and settling of the complaints sent to the Company regarding the Company's accounting, internal control and audit system, and the independent audit as well as the treatment of the Company's disclosures made by the Company's employees on the subjects of the independent audit within the framework of the confidential principle.
- The Audit Company submits in writing to the Board of Directors its assessments on the accuracy and authenticity of the annual and interim financial statements to be disclosed to public and the conformance of these statements with the accounting principles adopted by the Company also by taking the opinions of the Company's managers and independent auditors.
- The Audit Committee also performs other works and assignments to be assigned to it by the Board of Directors.

**Article 5 The Audit Committee's Operation Principles and Procedures**

- The Audit Committee meets at least once every three months and at least four times annually.
- The Committee meets with the attendance of all its members, and the decision quorum for the Committee is the majority of the present.
- The Committee keeps a minute book and all decisions taken by the Committee are recorded in this book under a separate log number.
- The results of the Committee's meetings are issued as a official report which includes the assessments and decisions together with their justifications, and submitted to the Board of Directors within at least one month following the relevant meeting.
- The decisions of the Committee take effect upon the approval by the Board of Directors.
- The Audit Committee immediately sends its determinations, assessments and suggestions regarding the area of its responsibility to the Board of Directors in writing.
- The activities and the meeting results of the Committee are announced at the annual activity report. The annual activity report also provides how many times the Audit Committee has submitted written notifications to the Board of Directors during the given fiscal year.
- The Audit Committee may invite other people to its meetings as needed to get their opinions on a subject.
- Internal Audit Unit determines the agenda of the meetings, makes the calls for the meetings, ensures the communication between the members of the Committee, keeps the minute book, and fulfills other secretarial works of the Committee
- The resources and support needed by the Committee during the execution of its duty are provided by the Board of Directors.
- Subject to the approval of the Board of Directors, the Committee may benefit from the opinions of the independent experts as may be needed on a subject related with its activities requiring specialization. The charge of such consultancy services needed by the Committee is paid by the Company.
- The members of the Audit Committee conduct their duties within the framework of the principles of independence and neutrality.

**Article 6 Validity**

The clauses of this Regulation take effect on the date approved by the Board of Directors and are executed by the Board of Directors.

**Relevant Decisions of the Board of Directors**

Decision	Effective Date	Revision	Relevant Articles
27.05.2014 / 2151	27.05.2014	1.0	All





## COMPLIANCE REPORT ON CORPORATE GOVERNANCE PRINCIPLES

During 2014, the Audit Committee has met eight times and has taken thirteen decisions. In its meetings, the Committee has reviewed and assessed the following issues:

The audit plan prepared by the Company for 2014 has been discussed and approved. It has been established that the consolidated financial statements and their footnotes and the activity reports were prepared in accordance with the relevant laws and regulations and the generally accepted principles and standards also by taking the opinions of the Company's executives, and were submitted to the approval of the General Assembly for being disclosed to the public. It has been established that the Committee found no negative evidence regarding the transfer of the commercial transactions of the Company to the accounting records during the period, operation and effectiveness of the internal control system, performance of the tax and legal obligations and that due procedures were pursued. Determinations, opinions and suggestions found as a result of the audit activities realized by the Internal Audit and Internal Control units have firstly been shared and assessed together with the performers of such procedures, and it has been ensured that required complementary and preventive action was taken. Internal control, file control, department/unit audit reports prepared by the Internal Audit and Internal Control units during the period have been examined and submitted to the approval of the Board of Directors.

### Corporate Governance Committee

The Corporate Governance Committee is at the same time performing the functions of Nomination Committee and Remuneration Committee. The Company's Corporate Governance Committee is composed of three members.

Chaired by the non-executive Independent Board Member Mr. M. Baha Karan, the Corporate Governance Committee is consisted of two members: non-executive Board Member Ms. Z. Hansu Uçar and Ms. Nida Çetin, to whom Investors Relations Unit reports.

### Regulation for Corporate Governance Committee

#### Article 1 Purpose and Scope

This Regulation covers the establishment of a Corporate Governance Committee and regulation of the duties and responsibilities of this Committee as well as its operational principles and procedures in order to ensure that the Board of Directors fulfills its duties and responsibilities on corporate governance in a healthy manner.

The duties of the Nominating Committee and Compensation Committee will be fulfilled by the Corporate Governance Committee until their establishment.

#### Article 2 Justification

This Regulation has been prepared based on the Corporate Governance Communiqué of the Capital Markets Board.

#### Article 3 Establishment of the Corporate Governance Communiqué

Corporate governance Committee is established by appointment of at least two members from among the Board members and the Manager of the Investor Relations Unit/Department.

The members of the Committee elect a Chairman among themselves. The Chairman of the Committee is elected from among the independent members of the Board. Persons who are not Board members but having specialization on their subjects can also become members to the Corporate Governance Committee.

If the Corporate Governance Committee has two members elected from the Board of Directors, both of these members



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are required to be from the independent members of the Board; and if the Committee has more than two board members, then majority of these members should be independent members. General Manager cannot become a member of the Committee.

The Manager of the Investors Relations Unit/Department is required to work full-time in the company and be positioned as a member of the Corporate Governance Committee.

Corporate Governance Committee membership automatically ends upon the termination of the Board membership.

**Article 4 Duties and Responsibilities of the Corporate Governance Committee**

The duties and responsibilities of the Corporate Governance Committee have been outlined below.

- The Corporate Governance Committee establishes whether or not the corporate governance principles are duly applied in the Company, and determines the reasons if they are not applied and lay down the conflicts of interest emerging due to the non-application of these principles in the Company, and advises the Board of Directors for the improvement of the corporate governance applications.
- The Corporate Governance Committee supervises the activities of the Company's Investment Relations Department. The Committee lays down the fundamental principles regarding the communication of the Company with the investors, and reviews these principles on a regular basis.
- The Corporate Governance Committee, together with the Investors Relations Department, further submits to the Board of Directors its advice for the improvement of the communication between the Company and the shareholders, and the elimination and settlement of the possible disputes in between.
- The Corporate Governance Committee reviews the Corporate Governance Principles Compliance Report of the Company prior to its being published in the Company's annual activity report, and submits its opinions to the Board of Directors.
- The Corporate Governance Committee prepares its advice and assessments for the identification or amendment of the Company's Disclosure Policy and submits it to the Board of Directors. It also oversees to ensure that the Disclosure Policy covers at least the minimum obligatory content laid down by the laws and regulations regarding the communication of the Company with the stakeholders, and it reviews the content, quality, consistency and accuracy of the documents, presentations and explanations to ensure that they are prepared in accordance with the Disclosure Policy.
- The Corporate Governance Committee works for infusing the corporate governance culture into the Company and its adoption by the managers and employees at all levels. It follows the domestic and international developments on corporate governance front and monitors their possible effects for the Company.

The duties and responsibilities of the Corporate Governance Committee on nominations have been outlined below.

- The Corporate Governance Committee works for setting up a transparent system for the identification, assessment and training of the candidates for board membership and the managerial positions with administrative responsibility and for adoption of proper policies and strategies on this subject.
- The Corporate Governance Committee makes regular assessments on the structure and productivity of the Board of Directors and submits its advice on possible changes to the Board of Directors.
- The Corporate Governance Committee is responsible for performing the jobs regarding the nomination of the independent member candidates for the Board which are stipulated by the laws and regulations and which are compulsory for the Group including the Company as announced by the Board each year.

The duties and responsibilities of the Corporate Governance Committee on the salaries and remunerations have been outlined below:

- The Corporate Governance Committee lays down and oversees the principles, criteria and practices to apply to the



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compensations of the members of the Board of Directors and executives with administrative responsibility in view of the Company's long term targets.

- It submits to the Board of Directors its suggestions about the wages to be offered to the Board members and executives with administrative responsibility as set forth, also in consideration with the degree of realization of the criteria applicable to such compensation.
- It provides its assessments and suggestions on the creation and amendment of the Company's compensation policy which sets the compensation principles for the members of the Board of Directors and the managers with administrative responsibility, and submits its opinions to the Board of Directors.

The Corporate Governance Committee also fulfills other duties and responsibilities within its area of responsibility as may be delegated to it by the Board of Directors.

**Article 5 The Corporate Governance Committee's Operation Principles and Procedures**

- The Corporate Governance Committee meets at least once every three months and four times annually.
- The Committee meets with the attendance of all its members and takes its decisions by majority vote.
- The Committee keeps a decision book and the decisions taken by the Committee are recorded in this book with a log number.
- The results of the Committee's meetings are issued as an official report and the assessments and decisions of the Committee are submitted to the Board of Directors within at least one month following the relevant meeting of the Committee.
- The decisions of the Committee take effect upon the approval of the Board of Directors.
- The Corporate Governance Committee immediately submits its findings, assessments and suggestions on the area of its work and responsibility to the Board of Directors in writing.
- The Corporate Governance Committee may invite other people to its meetings as needed to get their opinions on a subject.
- The Investor Relations Unit/Department determines the agenda of the meetings, makes the calls for the meetings, ensures the communication within the members of the Committee, keeps the minute book, and fulfills other secretarial works of the Committee.
- The resources and support needed by the Committee during the execution of its duty are provided by the Board of Directors.
- Subject to the approval of the Board of Directors, the Committee may benefit from the opinions of the independent experts as may be needed on a subject related with its activities requiring specialization. The charge of such consultancy services needed by the Committee is provided by the Company.
- The members of the Corporate Governance Committee conduct their duties within the framework of the principles of independence and neutrality.

**Article 6 Validity**

The clauses of this Regulation take effect on the date approved by the Board of Directors and are executed by the Board of Directors.

**Relevant Decisions of the Board of Directors**

Decision	Validity	Revision	Relevant Articles
27.05.2014 / 2151	27.05.2014	1.0	All



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During 2014, the Corporate Governance Committee has met six times and taken four decisions. In its meetings, the Corporate Governance Committee has reviewed and assessed the following issues:

The report on compliance with the corporate governance principles prepared by the Company to cover the 2013 activity period has been examined and submitted to the Board of Directors. The increase in the remunerations of the Company's employees in 2014 was determined and submitted to the approval of the Board of Directors.

The offers for the candidates to the Independent Board Members who will take place in the Board of Directors have been assessed by considering whether or not the candidates bear the independence criteria and the report for the independent board members was submitted to the Board of Directors. The distribution of roles within the Committee was re-determined due to the fact that Investors Relations Unit Manager Ms. Nida Çetin was appointed to the Corporate Governance Committee and Mr. Ozan Gürsoy quitted the Committee membership, and election was held for the Committee's manager. The operation and efficiency of the Investors Relations Unit was discussed, and it was established that due procedures were pursued during informing the investors and making disclosures to the public. It was also established that due procedures were pursued on the subject of the implementation of the Corporate Governance Principles and that there were no significant complaints sent by the stakeholders to the Company. Given the emphasis of the Company on Corporate Governance Principles and its resolution to carry out these principles in a continuous and dynamic process, it was decided that a study be conducted about the subjects which were pointed out as possible subjects that may lead to an increase in the Company's rating in Corporate Governance and be submitted to the approval of the Board of Directors.

### **Early Detection of Risk Committee**

The two-member Early Detection of Risk Committee is chaired by Mr. M. Hakan Berument, a non-executive Independent Member of the Board of Directors. Other member of the Committee is Mr. Z. Hansu Uçar, a non-executive Member of the Board of Directors.

Duties and operating principles of the Early Detection of Risk Committee have been approved and put into effect by our Board of Directors, and the committee is working within the frame of these principles.

### **Regulation for Early Detection of Risk Committee**

#### **Article 1 Purpose and Scope**

This Regulation covers the establishment of the Early Detection of Risk Committee and regulation of the duties and responsibilities as well as the operation procedures and principles of this Committee in order to ensure the Board of Directors fulfills its duties and responsibilities in the area of risk management in a well manner.

#### **Article 2 Justification**

This Regulation has been prepared based on the Article 378 of the Turkish Commercial Code and the Corporate Governance Communiqué published by the Capital Markets Board.

#### **Article 3 Establishment of the Early Detection of Risk Committee**

Early Detection of Risk Committee is established comprising at least two members to be elected from among the



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members of the Board of Directors.

Committee members elect a Chairman from among them. The Committee's Chairman should be elected from among the independent members of the Board of Directors. Persons who are not members of the Board of Directors but specialized on their areas can become members of the Committee.

Both members of the Committee have to be independent members of the Board of Directors if the Committee is consisted of two members, and majority of the Committee members should be independent if the Committee is consisted of more than two members. General Manager cannot be a member of the Committee.

The membership to the Early Detection of Risk Committee ends upon the termination of the Board membership of the relevant member, if applicable.

**Article 4 Duties and Responsibilities of the Early Detection of Risk Committee**

- Early Detection of Risk Committee conducts works aimed at early perception of risks that may imperil the existence, development and sustenance of the Company; taking the required measures regarding the identified risks; and management of such risks.
- It submits in writing to the Board of Directors its suggestions and opinions regarding the establishment and development of the Company's risk management system capable of minimizing the effects of the risks for all stakeholders including mainly the shareholders.
- It reviews the Company's risk management system at least once a year.
- It supervises the realization of the risk management applications in accordance with the decisions of the Board of Directors and the Committee.
- It reviews the determinations and assessments regarding the risk management that will be included to the Company's annual activity report.
- Early Detection of Risk Committee also fulfills other duties and responsibilities in its area of responsibility as may be assigned to it by the Board of Managers.

**Article 5 Operation Principles and Procedures of Early Detection of Risk Committee**

- Early Detection of Risk Committee meets at least every three months and at least four times a year.
- The Committee meets with the attendance of all its members, and the decision quorum for the Committee is the majority of the present.
- The Committee keeps a minute book where the decisions taken are recorded with a separate log number.
- The results of the Committee's meetings are issued as a official report which includes the assessments and decisions together with their justifications, and submitted to the Board of Directors within at least one month following the relevant meeting.
- The Committee's decisions take effect upon the approval of the Board of Directors.
- The Early Detection of Risk Committee immediately sends its determinations, assessments and suggestions regarding the area of its responsibility to the Board of Directors in writing.
- Early Detection of Risk Committee may invite other persons to its meetings and take their opinions as it may deem necessary.
- Setting the agenda of the Committee's meeting, making calls for the meeting, ensuring the communication with the Committee members, keeping the minute book and other secretarial works of the Committee are performed by the unit in charge of the risk management.
- All kinds of resources and support needed during the Committee's fulfilment of its duty are provided by the Board of Directors.



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- The Committee may benefit from the opinions of the independent experts as it may need regarding its activities subject to the approval of the Board of Directors. The fee of the consultancy service needed by the Committee is paid by the Company.
- The members of the Early Detection of Risk Committee fulfill their duties in compliance with the principles of independence and neutrality.

**Article 6 Validity**

The provisions of this Regulation take effect on the date of their approval by the Board of Directors and are executed by the Board of Directors.

**Relevant Board Decisions**

Decision	Validity	Revision	Relevant Articles
27.05.2014 / 2151	27.05.2014	1.0	All

During 2014, the Early Detection of Risk Committee has met eleven times and has taken thirteen decisions. In its meetings, the Committee has reviewed and assessed the following issues:

Periodical risk reports prepared by the Risk Management Unit have been assessed by the Committee; it was established that the risks provided in the reports were within the limits of individual risks and total risks as laid down by the Board of Directors; and these reports were submitted to the information of the Board of Directors. Risk management systems have been reviewed and relevant works have been conducted and submitted to the Board of Directors regarding the updating of the risk management strategies and policies as will be pursued by the Company for the purpose of implementation of the required actions and management of the risks.

As per the principle no. 4.5.3 of the Corporate Governance Principles, all members of the Audit Committee are Independent Directors. Chairman of Early Risk Detection Committee and Corporate Governance Committee are also Independent Directors, while other committee members are elected from among non-executive Directors.

**18. Risk Management and Internal Control Mechanism**

Potential risks that may be incurred by the Company are defined in the Risk Catalogue. Risk policies have been formulated for risk categories which are materially important for the activities and operations of the Company. All of the current practices, procedures and work flows have been made compliant with the risk policies, and the relevant internal control processes have been established.

Intra-company applications and audits will performed by the Internal Audit, Internal Control and Risk Management units. Early Detection of Risks Committee regularly reviews the processes related with the measurement, assessment and management of risks, and report its activities to the Board of Directors on a monthly basis. Additionally, Audit Committee also monitors the efficiency of the Company's risk management and internal control activities and reports its findings to the Board of Directors.



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## 19. Strategic Goals of Company

Strategic goals of the Company are formulated by the Board of Directors by considering the competition conditions, general economic conjuncture, overall expectations in national and international financial markets, and mid- and long-term objectives of the Company. The formulated strategies and goals are discussed and evaluated comprehensively and in all respects by the Board of Directors and the Company management. Strategies and goals are approved by the Board of Directors, and the Company General Management is responsible for implementation thereof.

Developments relating to the approved strategies and goals are reported to the Board of Directors on monthly basis. In its meetings, the Board of Directors reviews the place of the Company in its market segment, the Company's activities and operations, the level of achievement of yearly budget figures and goals, the financial structure and performance, and compliance of reporting and activities with international standards. If the goals cannot be achieved, the reasons thereof and the measures that may be taken in relation therewith are evaluated. The Board of Directors meets regularly in order to perform its supervision and audit functions effectively and continuously.

## 20. Financial Rights

All rights, interests and remunerations given to the Company's employees as well as the criteria used in determination thereof have been identified by the pricing policy and submitted to the information of the partners as a separate article in the general assembly meeting, and are published in the Company's website.

The amounts of remunerations paid to the Directors are determined by the General Assembly. No fringe benefits or fees other than remunerations are paid to the Directors. Remunerations of independent members of the Board of Directors are paid directly to them, and remunerations of other directors are paid to the corporations they are representing in the Board of Directors. During 2014, a total sum of 896 thousand TL has been paid to the members of board of directors.

Top executives of the Company are paid a bonus payment once a year in addition to their remuneration. Additionally, the Company's top executives are assigned an official company car plus a mobile phone. The total of the remunerations and other benefits offered to the top executives stood at TL 2.047 million in 2014.

Loans or credits are not made available to the Directors and executives, and credit facility is not extended through a third party under the name of personal credit, or collaterals and guarantees such as surety are not granted to them.

