

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## 1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Company initiated the preliminary compliance work as put forward by Capital Markets Board (CMB)'s "Communiqué on Determining and Implementing Corporate Governance Principles", Serial: IV No: 56, on December 30, 2011, the exact same date when the Communiqué was published in the Official Gazette (No: 28158), and came onto effect. Our Company's progress in complying with the principles put forward by the Communiqué are explained below.

Corporate Governance Compliance Report is prepared in accordance with Capital Markets Board (CMB)'s principle No. 4/88, dated February 1, 2013.

Teknosa adheres to the 4 principles of corporate governance, which are Transparency, Fairness, Responsibility and Accountability.

At the General Meeting of Shareholders, which convened on April 12, 2012, in compliance with Communiqué, Serial: IV No: 5612;

- It was unanimously agreed to grant the Board of Directors full authority to sell to the public 1,100,000,000 of the shares (with a nominal value of 1 Kuruş per share) held by HACI ÖMER SABANCI HOLDİNG ANONİM ŞİRKETİ as part of the paid-in capital of TL 110,000,000.00 of the Company, which adopted the Registered Capital System, pursuant to CMB's permission dated March 21, 2012 and numbered B.02.6.SPK.0.13.00.110.03.01-833-3317. The Board was also granted the right to sell to the public additional 165,000,000 shares.
- Independent Board Members were elected, and Muhterem Kaan Terzioğlu and Oğuz Nuri Babüroğlu were elected to serve on the Board for a 3-year term.
- It was agreed to make amendments to the Articles of Association during the Company's initial public offering. Within the frame of the capital system, it was agreed to accommodate the Company's Articles of Association to Capital Markets Law and relevant provisions. Accordingly and pursuant to CMB's permission dated March 21, 2012 and numbered B.02.6.SPK.0.13.00.110.03.01-833-3317, and pursuant to the permission letter granted by TR Ministry of Customs and Trade, Directorate General of Domestic Trade, dated March 21, 2012 and numbered B.21.0.İTG.03.00.01/431.02-59483-249523-1941-2104, it was agreed to make amendments to the

Introduction part of the Company's Articles of Association as well as to the articles 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 19, 20, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34 and 36. It was also agreed to remove the provisional clauses 1, 2, and 3 from Article 29, and the last paragraph pertaining to the association, and to add the articles 23, 24 and 26 to the Company's Articles of Association.

- It was agreed that the Company adopts the Registered Capital System and has a registered capital ceiling of TL 200 million.

The Company shares all required information with all of its investors and analysts in a timely, consistent and steady manner, and in order to ensure continuous communication with them, it organizes investor meetings, and conferences. Additionally, the Company strives to reach more investors via press releases and media sessions.

The Company has complied with and implemented the required principles pertaining to the disclosure of the resumes of Board of Directors nominees, public disclosure of independent member nominees, public disclosure of the remuneration policy, public disclosure of information regarding related party transactions, and the formation and structure of Committees.

On the other hand, full compliance hasn't been achieved yet due to some difficulties experienced during the implementation of certain principles, due to ongoing debates about compliance with certain principles on the international platform as well as in Turkey, and also because of the inapplicability of some principles due to the structure of Teknosa and the market. The developments in this area are closely followed and compliance efforts continue.

In order to achieve full compliance, the developments in the legislation and relevant implementations will be taken into consideration, and necessary steps will be taken in the coming period as well.

## **SECTION I- SHAREHOLDERS**

### **2. Shareholder Relations Department**

The Company's Investor Relations Unit engaged in shareholder relations is managed by Gamze Hacaloğlu Harman, Financial Control Manager, under the coordination of Nevğül Bilsel Safkan, Deputy General Manager of Financial Affairs. The Unit can be accessed at [yatirimciiliskileri@teknosa.com](mailto:yatirimciiliskileri@teknosa.com) or at +90 (216) 468 36 36 or 444 55 99, or via fax number +90 (216) 478 53 47.

Investor Relations Unit is in charge of regularly informing the shareholders and prospective investors about the Company's activities, financial condition and strategies, however excluding confidential information and trade secrets, without causing any information inequality, and it is also responsible for ensuring a two-way communication between the Company's management and the shareholders.

Investor Relations Unit is in charge of carrying out shareholder relations within the frame of Corporate Governance Principles. As part of its duties, the Unit held 115 meetings in 2012 with investors and analysts both abroad and in Turkey; replied all questions and e-mails from the shareholders.

In 2012, the Company made 7 material disclosures on the Public Disclosure Platform (“KAP”), pursuant to CMB (Capital Markets Board) regulations. Since these material disclosures were made in a timely fashion, neither CMB nor ISE (Istanbul Stock Exchange) imposed any penalties on the Company.

The Company isn’t listed on any foreign stock exchanges.

### **3. Exercise of Shareholders’ Rights to be Informed**

In 2012, Shareholder Relations Unit responded to all questions and demands from the shareholders via phone calls, e-mails or face to face interviews. All information sought by the shareholders were announced on the website within required time limits.

The appointment of a Special Auditor has not as yet been stipulated as an individual right in the Articles of Association, and no such demand was received from the shareholders in 2012.

### **4. Information on General Meetings of Shareholders**

Teknosa İç ve Dış Tic. A.Ş. held one Ordinary General Meeting of Shareholders on April 12, 2012, and shareholders representing 92.95% of total shares attended this Meeting. The main agenda of the Meeting consisted of the election of Independent Board Members, amendments to the Company’s Articles of Association, adoption of the registered capital system, and decisions regarding the initial public offering.

As described in Corporate Governance Principle, No. 1.3.1, the invitation to the General Meeting of Shareholders was announced in a manner as set out by the legislation, and to reach as many shareholders as possible, using all communication means including electronic medium, and minimum three weeks before the meeting. The Company has no preferred stocks. Each Company share comprises one voting right, and there are no preferred voting rights.

The Company held its initial public offering on May 17, 2012, and the General Meeting of Shareholders was held on April 12, 2012, with an invitation and announcement pursuant to the provisions of the Turkish Commercial Code. Therefore, the announcement on the website as required by the Corporate Governance Principle, No. 1.3.2, wasn’t made for this specific General Meeting of Shareholders.

Klik İç ve Dış Tic. A.Ş., a subsidiary of the Company, held one Ordinary and one Extraordinary General Meeting of Shareholders in 2012. The Extraordinary General Meeting, at which capital amendment draft and capital increase were discussed, was held on January 27, 2012, with 100% participation. The Ordinary General Meeting was held on April 12, 2012, with 100% attendance. The invitations to these meetings were made in compliance with the provisions of the Turkish Commercial Code, and the Company’s Articles of Association.

In order to ensure that registered shareholders recorded in the shareholder register attend the General Meeting, recording was done until one day before the General Meeting.

The Annual Report, which also includes the audited figures for 2011, was presented to the shareholders for review at the Company's Headquarters 15 days before the General Meeting. Shareholders didn't exercise their right to ask questions during the General Meeting, and no suggestions were proposed outside the agenda.

Decisions described as important in the Turkish Commercial Code are presented to the shareholders for approval at the General Meeting. Once legal compliance to Corporate Governance Principles is achieved, all important decisions that take place in changed laws, will also be presented to the shareholders for approval at the General Meeting.

In 2013, shareholders, whose shares are registered with the Central Securities Depository, will be able to attend the General Meeting in person or by proxy at the physical location of the meeting, or they may choose to attend by using the Electronic General Meeting system either themselves or by proxy.

Shareholders are informed about the donations and grants made within the period under a separate agenda item at the General Meeting.

## **5. Voting Rights and Minority Rights**

There are no preferred voting rights in the Company's Articles of Association.

Teknosa respects the exercise of minority rights, pursuant to Turkish Commercial Code and CMB regulations, and the Company did not receive any complaints or negative criticisms regarding this matter.

## **6. Dividend Distribution Policy and Timing of Distribution**

The Company's Dividend Distribution Policy is as follows:

The Company's Dividend Distribution Policy stipulates that a minimum of 20% of distributable profit as determined by the Capital Markets Regulation, will be distributed to shareholders in the form of either cash or bonus shares. This Policy is reviewed each year by the Board of Directors, taking into consideration any changes that might have happened in either national or global economy as well as the status of ongoing projects and funds.

Teknosa İç ve Dış Tic. A.Ş. acts in a sensitive manner when it comes to distributing profit to its shareholders, and always adheres to applicable legislation. The Company places a lot of importance on the concept of 'dividend yield' in capital markets, and strives to make dividend yield higher than the yield of risk-free investment options in its assessments.

As put forward in Clause 33 of its Articles of Association, the Company complies with the provisions of the Turkish Commercial Code and the Capital Markets Law.

Within the scope of the Company's Dividend Distribution Policy, dividend is distributed equally to all shares within the relative accounting period. The Company doesn't grant any privileges in dividend distribution.

The Company didn't pay dividends in 2011 due to its financial results after the acquisition. The same situation is valid for 2012 as well. The Company plans to pay dividends in the coming years once the conditions allow.

### **7. Transfer of Shares**

The Company's Articles of Association does not contain any provisions that restrict the transfer of shares.

## **SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY**

### **8. Company Disclosure Policy**

The Company implements a Disclosure Policy as described in CMB's Corporate Governance Principles. As required by this Disclosure Policy, partially audited consolidated financial results for the six months, and fully audited consolidated financial results for the 12-month period are announced to the public on KAP (Public Disclosure Platform), on the Company's website, and/or via the media. The financial statements prepared in line with International Financial Reporting Standards (IFRS) were announced to the public within the time limits set by CMB.

The Chairman of the Board, Haluk Dinçer, and General Manager, Mehmet Nane are in charge of implementing the Disclosure Policy.

Material disclosures are the responsibility of Deputy General Manager of Finance. In 2012, 7 material disclosures were made, and since these disclosures were made within the legal time limits, the Company didn't face any penalties.

Any information fit to be disclosed to the public, is announced on KAP (Public Disclosure Platform), and the Company's website, in a timely, accurate, complete, easily understandable, easily interpretable, and easily accessible fashion.

In order to protect confidential information, the Company has a list of “persons privy to insider trading information”, and the employees on this list were asked to submit their statements as to their understanding of the responsibilities about protecting and not abusing such information. The Company is meticulous about asking the same statement from the new people added to the list. The names and titles of the persons privy to insider trading information are listed below:

<b>Name/Last Name</b>	<b>Title</b>
Haluk Dinçer	Chairman of the Board of Directors
Temel Cüneyt Evirgen	Vice Chairman of the Board of Directors
Muhterem Kaan Terzioğlu	Independent Board Member
Oğuz Nuri Babüroğlu	Independent Board Member
Neriman Ülsever	Board Member
Barış Oran	Board Member
Mehmet Tefvik Nane	General Manager, Chairman of the Executive Board
Bülent Gürcan	Deputy General Manager - Operations
Nevgül Bilsel Safkan	Deputy General Manager - Financial Affairs
Asena Yalınız	Deputy General Manager - Human Resources
Önder Kaplancık	Deputy General Manager - Information Systems and Operational Support
Kemal Yaman	Deputy General Manager - Dealer Group Denetim Başkanı
Namık Demirkan	President of Audit
Nedim Erdal	Category Director
Mehmet Necil Oyman	Sales Director
Cengiz Bandak	Group Manager of Investments
Gamze Hacaloğlu	Financial Control Manager
H. Devrim Şentürk Kaya	Legal Adviser
Mehmet Uysaler	Accounting Manager
Emel Sayınataç	Finance Manager
Songül Çavuşoğlu	Management & Organization Manager
Ebru Anıldı	Compensation and Labor Relations Manager

## **9. Company Website and Its Contents**

The Company’s corporate website address is [www.teknosa.com](http://www.teknosa.com), and it is currently being revised in line with CMB’s Corporate Governance Principles, Section II, Article 1.11.5.

Due to the requirements of the Disclosure Policy, the below information will be available on the Company’s website in both Turkish and English:

- Company Profile (Vision, Mission, History, Shareholder Structure, Executive Management, etc.)
- Executive Management (Board of Directors, Audit Board, Committees etc.)
- Declaration of Compliance with Corporate Governance Principles
- Public Disclosures
- Policies
- Stock Performance
- Annual Reports
- Financial Statements
- Contact Information

## **10. Annual Report**

The annual report is prepared in accordance with CMB Communiqué, Serial: XI, No. 29, as well as with CMB's Corporate Governance Principles. After it is presented to the Board of Directors for approval, the report and the financial statements are announced to the public. The annual report is also accessible on Teknosa's website, [www.teknosa.com](http://www.teknosa.com).

## **SECTION III-STAKEHOLDERS**

### **11. Announcements to Stakeholders**

Within the scope of the Disclosure Policy, the Company openly shares all information, excluding trade secrets, with stakeholders via public announcements, media, meetings, and etc.

Additionally, company employees are informed via e-mails, training programs, seminars, and meetings which cover their fields of expertise or general areas of interest. There is also a portal available for the employees, and they can access any information or documents on this portal.

In order to protect the rights of stakeholders, the Company embraces ethical principles, and has established an ethics committee. Stakeholders can reach the ethics committee at [etik@sabanci.com](mailto:etik@sabanci.com), and [etik@teknosa.com](mailto:etik@teknosa.com) e-mail addresses, or at +90 (212) 385 85 85. The Audit Committee and/or the Corporate Governance Principles Committee are informed if and when required.

### **12. Stakeholder Participation in Management**

In order to follow customers' and employees' demands and suggestions, Customer Feedback System and Employee Feedback System are effectively utilized.

Employees' participation in management is ensured by organizing regular company meetings (at least twice a year), as well as at the annual goal-setting and performance evaluation meetings. Additionally, employees can give their feedback to the management and to their colleagues through the 3600 feedback mechanism. The results are reviewed at various management meetings, and action plans are made in order to realize the necessary changes. With these practices, employees can participate in and contribute to achieving a more effective management at the Company.

Communication channels are always kept open for other stakeholders as well.

### 13. Human Resources Policy

The goal of the human resources management at Teknosa is to develop and implement human resources strategies that create value, and help achieve the Company's vision and business goals.

The human resources strategy at Teknosa is to implement a world class human resources management in all areas of activity, and make Teknosa an exemplary company where everyone wants to or are proud to work at.

In order to realize this strategy, the Human Resources Department of the Company strives to create a management team that

- acts in a very selective manner in recruitment and promotion decisions,
- motivates employees towards exciting goals,
- manages employees according to high performance standards,
- holds the management and the employees responsible for business results,
- gives the employees the opportunity to realize their potentials and use their talents,
- rewards superior performance.

As a subsidiary of Sabancı Holding, Teknosa aims to become a company that is

- Reliable,
- Responsive to others,
- Committed to ethical values,
- Open to change,
- Market oriented,
- Capable of long-term thinking,
- Innovative,
- a preferred workplace for individuals who are open to collaboration.

As part of its Human Resources policy, the Company embraces the principle of equal opportunity for persons with equal qualifications. Thus, the Company treats all employees fairly, and doesn't discriminate them due to their religion, language, race or gender, and takes all necessary measures to protect employees against bad treatment.

Teknosa aims to become an exemplary company where a world class human resources management policy is implemented, and where everyone wants to or are proud to work at. At Teknosa, Human Resources Policies define the essential practices and priorities pertaining to human resources management.

Through its Human Resources policies, the Company strives to add qualified employees to its workforce, to invest in its employees by helping them further develop themselves and realize their potentials, to offer continuous training, to further improve and strengthen the overall organization, to implement compensation and rewards programs that increase employee motivation and loyalty, and thus to become a distinguished company.



Employees are made aware of job descriptions and distributions, as well as performance and rewarding criteria. The Company considers efficiency as an important factor in determining employee compensation and benefits.

Pursuant to the Workplace Safety and Health Law, the Company plans to appoint an employee representative who will participate in and follow workplace safety and health related efforts, demand that measures are taken, offer suggestions, and will be authorized to represent employees in all these matters.

#### **14. Ethical Rules and Social Responsibility**

The Company has already established rules of business ethics, and started to implement them. The employees are informed about these rules through the company portal, booklets which are distributed to all employees, and training programs. Additionally, all employees update their knowledge about the rules of business ethics through an e-learning program at the end of each year, and fill out a “Business Ethics Compliance” form to declare their commitment to business ethics.

Focusing on the concepts of “sustainability” and “creating social value”, the Company carries out social responsibility projects mainly in the areas of education, culture & arts, including projects such as technology for women, preserving rare artworks, and national team sponsorship.

Adhering to its responsibilities as the leader of its sector, Teknosa acts as a pioneer by committing itself to educational activities in order to raise young people’s consciousness about technology and the environment. Accordingly, Teknosa sets an example in the sector with its environmental practices such electronic waste collection, introduction of eco-friendly bags, and energy efficiency efforts.

Since 2003, Teknosa has been collecting electronic waste and batteries either at disposal stations placed in Teknosa stores or by collecting such wastes from customers’ houses free of charge, and sending them to a recycling facility in collaboration with Exitcom. With this initiative, the Company helped recycle tons of electronic waste, and thousands of batteries. In 2011, 14% of all disposed batteries collected in Turkey was collected by Teknosa.

Additionally, throughout 2011 and 2012, the Company carried out several other activities to help create environmental awareness in the society, such as the e-waste clothing exhibition developed in collaboration with the Fashion Designers Association; various exhibitions at shopping malls; and the project of collecting electronic waste with traditional scrap dealer carts in the streets of Istanbul on June 3rd, to commemorate World Environment Day.

### **Relations With Other Subsidiaries of Sabancı Holding Group**

In its Report dated February 28, 2013, the Board of Directors of Teknosa concludes that, in all transactions made in 2012 between Teknosa and its parent company, as well as with the other subsidiaries of the parent company, either the transactions were completed or the required measures were taken, and, in cases where the Company refrained from taking the required measures, due consideration was provided based on all facts and conditions known to the Company's Board at the time, and, in this context, that there are no measures taken, or refrained from, that can harm the Company, and, accordingly, there are no transactions or measures that require balancing.

## **SECTION IV-BOARD OF DIRECTORS**

### **15. The Structure of the Board of Directors**

The structure of the Board of Directors, which complies with the Article 4.3 of Corporate Governance Principles, is explained below.

The Company is managed and represented by a Board of Directors comprising a minimum of six members who are elected at the General Meeting of Shareholders, pursuant to the provisions set forth by the Turkish Commercial Code, and Capital Markets Law.

As described in the Corporate Governance Principles, majority of the Board Members are non-executive members. Two Board Members are independent members, and Board Members are elected at the General Meeting of Shareholders in accordance with Corporate Governance Principles. Term of office of Board Members may not exceed 3 years, after which they can be re-elected. In the event that a Board Member position becomes available, the Board elects a new member to fill the position and presents the elected member for approval at the next General Meeting. The newly elected member completes the term of his predecessor.

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Executive, non-executive, and independent members of the Company's Board of Directors are listed below, and their resumes are included in the annual report:

<b>Name/Last Name</b>	<b>Position</b>	<b>Years of Service at the Company</b>	<b>Other Title</b>
Haluk Dinçer	Chairman	7	President of the Retail and Insurance Group of Sabancı Holding
Temel Cüneyt Evirgen	Vice Chairman	6	Faculty Member at Sabancı University
Muhterem Kaan Terzioğlu	Independent Board Member	Since the General Meeting held in April 2012	Consultant
Oğuz Nuri Babüroğlu	Independent Board Member	Since the General Meeting held in April 2012	Faculty Member at Sabancı University
Neriman Ülsever	Board Member	Since the General Meeting held in April 2012	Group President of Human Resources at Sabancı Holding
Barış Oran	Board Member	Since the General Meeting held in April 2012	Group President of Planning, Reporting, and Finance at Sabancı Holding

On the basis of the General Meeting's resolution, pursuant to the Articles 395 and 396 of the Turkish Commercial Code, Board Members are authorized to perform transactions.

### **16. Operating Principles of the Board of Directors**

The Board of Directors convenes as frequently as required to efficiently fulfill its duties. The Board operates in a transparent, accountable, fair and responsible manner, and while doing so it always looks out for Teknosa's long-term interests.

In 2012, the Company's Board of Directors convened for 147 meetings. The Chairman of the Board determines the agenda of the Board meetings, after conferring with the Board Members and the General Manager. In order to allow the Board Members to make the necessary reviews and preparations, they are informed about the items and the content of the meeting agenda in advance, as required legally.

At the Board meetings each member has one vote, and unanimous consent is sought while resolving matters, and the Board always complies with Corporate Governance Principles. In 2012, all Board members, excluding those who were excused, attended all the Board meetings. Since Board Members didn't have any questions regarding these matters, they aren't recorded in the minutes. No opposite opinions were put forward against the resolutions reached by the Board Members at the Board meetings held in 2012.

The qualifications of the Board Members match the criteria described in CMB's Corporate Governance Principles. The minimum qualifications required to be a Board Member aren't described in the Company's Articles of Association.

However, management rights and representation authority of the Company's Board of Directors are described in the Articles of Association.

In 2012, Board Members neither engaged in any business with the Company nor attempted to go into any business that would fall within the Company's scope of operations.

### **17. The Number, Structure, and the Independence of the Committees Formed by the Board of Directors**

The Board of Directors forms several committees in order to effectively fulfill its duties and responsibilities. The Committees reach certain decisions after conducting some studies. Then, they present these in the form of proposals to the Board's consideration, and the Board makes the final decision. The Committees are as follows;

#### **Corporate Governance Principles Committee**

The duty of this Committee is to make suggestions and recommendations to the Board with regard to establishing the Corporate Governance Principles in line with CMB's or other internationally recognized Corporate Governance Principles.

Corporate governance efforts at Teknosa are carried out by the Corporate Governance Committee which comprises three members. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among independent members. Should the position of Chairman become vacant, the Chairman of the Board assigns one of the committee members as temporary chairman until the new Chairman is appointed at the next Board meeting. Corporate Governance Committee is run by Muhterem Kaan Terzioğlu and Neriman Ülsever, under the chairmanship of Oğuz Nuri Babüroğlu.

The Corporate Governance Committee monitors the Company's conformity with Corporate Governance Principles, makes suggestions for improvement, and oversees the progress of the Shareholder Relations Department.

Corporate Governance Committee meetings are held at least four times a year, at a location deemed appropriate by the Chairman of the Committee. The annual meeting calendar is determined by the Chairman of the Committee and announced to all committee members at the beginning of each year.

### **Audit Committee**

The duty of the Audit Committee is to oversee the Company's accounting system, financial reporting, announcement of financial statements, progress and effectiveness of independent auditing and internal control, on behalf of the Company's Board of Directors. The Audit Committee reports its activities, evaluations and suggestions to the Board of Directors in writing.

The Chairman and the members of the Audit Committee are appointed by the Board of Directors from among Independent Members. The Audit Committee at Teknosa has currently one member, Oğuz Nuri Babüroğlu, and is chaired by Muhterem Kaan Terzioğlu.

The Audit Committee convenes at least four times a year to oversee the progress of the Audit Board, to review the presentation for the Board of Directors, the work of the Independent Audit company, the financial statements, and any breaches of the rules of business ethics, and inappropriate behaviors.

The committees did not confront any conflict of interest issues in 2012.

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

Teknosa embraces the notion that every risk brings an opportunity, and recognizes that "sustainable growth" can be achieved by effectively identifying, measuring, and managing risks. The Company places a lot of importance on risk management in order to "create value for its stakeholders", which is a crucial part of its mission.

The Risk Management Policy at Teknosa serves to define, assess, prioritize, monitor, and report the potential risks involved in Teknosa's operations, and also to lay out the procedures and principles which will be adhered to during the process of defining and implementing the necessary measures and strategies against such risks.

The Board of Directors appoints one chairman and one member for the Risk Committee from among Board Members. The Risk Committee invites any Company managers it deems appropriate to the committee meetings, and appoints one of these managers as the Risk Manager. The Committee convenes quarterly, and the Risk Manager also carries out the secretary duties for the committee. The duties of the Risk Committee are as follows:

- To establish a systematic "Risk Management Culture", and to integrate it into the corporate culture,
- To ensure that risks are effectively identified and managed,
- To provide that appropriate threshold values are identified for effective risk management, and the required infrastructure is set up,
- To ensure that investment decisions are made in accordance with Teknosa's and Sabancı Holding's strategic business goals, and predefined "Risk-Taking Limits",
- To ensure that Corporate Risk Management (CRM) becomes a proactive process as an integral and crucial part of Teknosa's corporate culture.

Risk is identified as an unexpected occurrence that may have negative impacts on the company's activities and business goals. Identified and monitored risks types are listed below;

Financial Risks include risks related to exchange rates, investment portfolio, loans, liquidity, and insurance.

Operational Risks include risks related to supply, productivity, capacity utilization, pricing, sales, customer satisfaction, product/service development, human resources, information safety and business continuity, employee health and safety, environmental health and safety, information systems and technologies, taxes, legal, brand management, reputation, performance management, external reporting and compliance, internal reporting, monitoring and control, authorizing, and limits.

Strategic Risks are internal and external risks that make a negative impact on the Company's strategic business objectives. (Such as risks related to planning, business model, business portfolio, investment analysis, corporate governance).

External Risks include risks related to the economy, politics, legal regulations, business continuity, customer trends, sector, changes in technology, relations with shareholders.

The Company has an Internal Control Mechanism, which effectively carries out the duties assigned by the Board of Directors, in compliance with the bylaws of the Audit Committee. The Audit Committee is chaired by Board Member, Muhterem Kaan Terzioğlu.

### **19. The Company's Strategic Goals**

The Company's Board of Directors has determined the vision and the mission of the Company, and these are included in the Annual Report, and announced to the public on the Company's website, [www.teknosa.com](http://www.teknosa.com).

The Board of Directors sets the Company's strategic goals for the next three years after discussing them at the General Meeting of Shareholders, and updates these goals every year.

### **20. Remuneration of the Board of Directors**

Any remuneration, rights and benefits granted to the Company's Board Members are detailed in the Articles of Association. The attendance fees paid to the Chairman and the Board Members are determined at the General Meeting.

The salaries paid to executive managers are announced to the public under the notes to the financial statements.

Remuneration of Independent Board Members isn't made by stock options or performance-based payment methods.

In 2012, the Company did not lend any money or give out any loans to Board Members; did not extend the due date or improve the terms and conditions of existing debts or loans; did not grant any individual loans via third persons, or did not offer surety guarantees.